

KANSAS PUBLIC WATER SUPPLY LOAN FUND

ANNUAL REPORT

for

FISCAL YEAR 2004

Kansas Department of Health and Environment
Division of Environment
Bureau of Water

as required by K.S.A. 65-163k

November 30, 2004



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I. Introduction

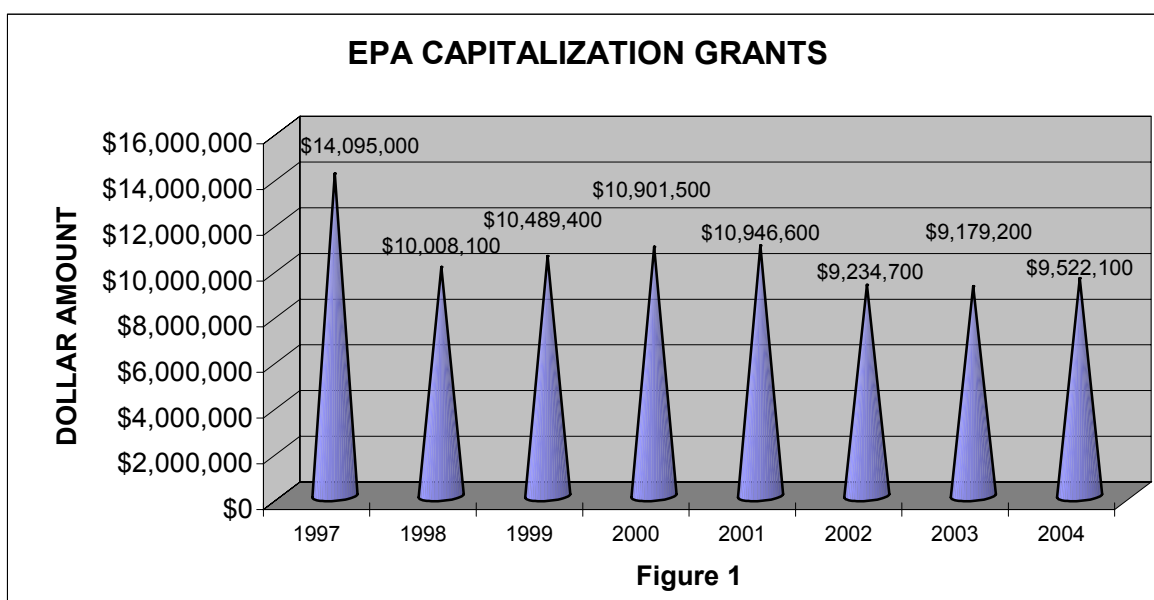
This is the Kansas Public Water Supply Loan Fund (KPWSLF, Loan Fund, or Fund) Annual Report for state fiscal year 2004 (July 1, 2003 through June 30, 2004). This is the seventh year of operation for the Fund.

The Fund is a revolving loan fund program that provides financial assistance in the form of loans to Kansas municipalities, at below market interest rates, for the construction of public water supply system infrastructure. The Annual Report is required by KSA 65-163k to describe how the state met the goals and objectives for the previous year as identified in the Intended Use Plan (IUP) required by KSA 65-163h. The federal Safe Drinking Water Act (SDWA) also requires a report, although on a biennial basis. Additional Environmental Protection Agency (EPA) requirements for the contents of this report are contained at 40 CFR Part 35, Subpart L.

Information in this report will be presented in seven sections. Section II provides a general description of the Fund. Section III describes progress in meeting the short term and long-term goals for the Fund, as established in the Intended Use Plan. Section IV describes loan activity during the fiscal year. Set-Aside activity is described in Section V. The Fund's financial status is described in Section VI, and the Fund's compliance with federal operating requirements is discussed in Section VII.

II. Program Description

Kansas Statutes (65-163d through 163u) establishing the Loan Fund were passed by the 1994 legislature. However, enabling legislation for the federal public water supply revolving loan fund was not in place until August 1996. EPA accepted the Kansas statutes as meeting the requirements of the SDWA. The Loan Fund is made possible by receipt of capitalization grants from the EPA. States are required to provide 20% matching funds to receive the capitalization grant. In Kansas, the match is provided by issuing state match revenue bonds. The state match bonds are repaid with the interest portion of the municipalities' loan repayments and other interest earnings of the Fund.



As of the date of this report, the state has received capitalization grant allotments totaling \$84,376,600. Kansas was awarded \$9,179,200 from the FFY 2003 Grant during the program year and the 2004 Grant was allotted at \$9,522,100. Figure 1 shows the historical capitalization grants as well as the 2004 allotment.

The Loan Fund is operated as a reserve account leverage program. In a reserve account leverage program, the EPA capitalization grant is not loaned directly to municipalities. Instead, the grant is deposited into a reserve account, and pledged as security for repayment of state issued revenue bonds. Proceeds from the revenue bonds are loaned to the municipalities. The reserve fund is invested, and the interest earnings are combined with the loan repayments from municipalities to buy down the loan's interest rate. Municipalities are charged interest rates equal to 80% of the previous three months average of the Bond Buyers 20 Bond Index. Interest rates during FY04 ranged from 3.59% to 3.97%. The Loan Fund has the ability to leverage at a ratio of four to one, meaning four dollars can be borrowed for every dollar placed into reserve. Although to date the State is not leveraged at this high of ratio, the total leveraging ability is assumed when calculating available funds for each Intended Use Plan.

The pool of potential borrowers from the Loan Fund includes two distinct types of municipalities, cities and rural water districts. Rural water districts lack the general taxing powers of cities, and are perceived in credit markets as a greater financial risk. The Loan Fund provides equal access to both types of borrowers, but requires different pledges of security to receive a loan.

Cities are required to pledge their taxing authority as a backstop to water system revenues in order to receive a loan. As an alternative to pledging their taxing authority, cities may pledge system revenues only and purchase a bond insurance policy. Rural water districts are required to either purchase an insurance policy or choose one of two debt service coverage (dsc) ratio options. The first option is to maintain a 125% dsc with a 10% reserve account. The other alternative is to maintain a 140% dsc with no reserve account. The required reserve amount may be included in the loan, and is held by the Loan Fund. Interest earnings from the reserve account are credited to the borrower, resulting in a reduced interest rate for the amount of the required reserve, if included in the loan. All rural water districts, and some cities, are required to enter into a Financial Integrity Assurance Contract (FIAC) with the Kansas Rural Water Finance Authority (KRWFA) as a condition of receiving a loan. The FIAC requires the loan recipient to submit annual budget and quarterly financial and operating data management reports to KRWFA for review. The intent of the FIAC is to make professional financial and management assistance available to the recipient, to assure debt obligations are satisfied and to identify problems in daily operations so they can be corrected before they lead to financial problems.

The KRWFA also reviews financial information from all loan applicants to assess the ability of the applicant to take on additional debt and meet loan repayment obligations. These financial reviews, and the FIAC arrangement, provide strong assurances to the financial markets that the Loan Fund will operate on a sound financial basis.

Funding to implement and administer the Loan Fund is available through a set-aside from the federal capitalization grant, and from a service fee built into the loan interest rate. No state general funding is needed for this program.

III. Goals and Objectives

The state must prepare an Intended Use Plan (IUP) on an annual basis. The IUP lists projects anticipated to be funded, the criteria used to determine which projects receive funding, and short term and long term goals for the program. This section of the annual report discusses the progress that has been made in meeting those short and long term goals.

A. Short Term Goals and Objectives

1. Fill Existing program vacancies.

Two engineering vacancies were filled and later vacated during fiscal year 2004. KDHE is currently in the process of filling these engineering positions.

2. Coordinate and seek input from other agencies, consultants, water systems, and the public, on administration of the KPWSLF.

KDHE continues to maintain a web site with program information as suggested by water systems and consultants.

3. Assure Kansas receives 100% of its capitalization grant allocation, and is eligible for any re-allotments of funds unused by other states.

Kansas was awarded 100% of all grant funding through FY03, and 100% of the FFY04 grant is expected to be awarded in FY 2005. No re-allotment funds were available. KDHE has complied with all EPA requirements that pertain to allotments and therefore has not been subject to a reduced capitalization grant.

4. Provide loans to assist applicants in complying with drinking water standards, improving drinking water quality in the state, and improving Kansas public water supply infrastructure.

During fiscal year 2004, loans were provided to 24 municipalities. Exhibit 5a lists the projects funded by these loans. All 24 loans satisfy one or more of these objectives. More detailed information concerning the projects is provided in Section IV.

5. Assure small public water supply systems are included in the loan program by providing at least 15% of available loan funds to systems serving less than 10,000 persons (Federal requirement) and 20% of loan funds to municipalities with a population less than 5,000 (State requirement).

Systems that serve less than 10,000 have received 82 of the 114 loans made since the program began, amounting to \$107,284,593.15, or 41% of the total dollar amount of loans. Systems in this category received \$19,636,935.06, or 36% of the total funds

committed during the fiscal year.

Municipalities with less than 5,000 population have received 77 of the 114 loans since the program began, amounting to \$96,159,175.48, or 37% of the total dollar amount of loans. Municipalities in this category received \$19,636,935.06, or 36% of the total funds committed during the fiscal year. Small systems are designated on Exhibit 5a

6. Assist communities' projects which qualify for Community Development Block Grants for the Kansas Department of Commerce (formerly Kansas Department of Commerce and Housing) by reserving a portion of the recycled loan account to provide loans to serve as match.

Municipalities that used the KPWSLF in conjunction with CDBG funds were able to have their projects submitted for the regular funding cycle and did not need to access this special reserve.

7. Assure Kansas municipalities are aware of the KPWSLF and the potential for financial savings through participation.

Each municipality eligible to participate in the program as well as Kansas consulting firms have received information through direct mailings.

8. Encourage high priority projects to proceed with funding.

Of the 24 projects funded in the 2004 program year, 18 came from the top 50% of the rankings above the funding line from the 2004 IUP.

B. Long Term Goals and Objectives

1. Promote regional public water supply projects in accordance with the state water plan regionalization strategy.

Although no regionalization strategies have been developed in the state water plan, the project ranking system used by KDHE awards points to those projects that are regional in nature. The Johnson Co RWD #7 and Spring Hill projects were used to interconnect Spring Hill with Miami Co RWD #2 and the Woodson Co RWD #1 project was used to interconnect with Yates Center.

2. Assist in meeting the current drinking water funding needs in the state of Kansas, and remain viable and perpetual to assist in meeting the long term funding needs.

The ability of the program to leverage four dollars in assistance for every dollar placed in reserve maximizes the amount of loan assistance which can be provided. KDHE has also adopted strong security requirements to assure loans will be repaid, which will assist the Loan Fund in remaining viable and perpetual. The Kansas Rural Water Finance Authority is under contract to conduct a financial review of all

loan applicants. In addition, all loan recipients without general taxing authority, and some recipients with taxing authority, are required to enter into a Financial Integrity Assurance Contract to provide management and financial assistance during the term of the loan.

3. Provide technical assistance to Kansas water suppliers to assure necessary projects are identified and placed on the project list.

KDHE contracts with the Kansas Rural Water Finance Authority to assist Kansas water suppliers in identifying needed projects.

4. Comply with state and federal laws and the state/EPA capitalization grant agreement.

KDHE has complied with state and federal laws and the grant agreement. Region VII of the EPA conducted an annual program review for fiscal year 2003 during November 2003, and provided a favorable report. An onsite evaluation for fiscal year 2004 will not be conducted until the 2005 calendar year.

5. Use the KPWSLF to build a comprehensive list of public water supply infrastructure needs in the state of Kansas.

Although KDHE has data on infrastructure needs gained from previous and current needs surveys, lack of staffing and the changing pace of needs has kept KDHE from producing a usable list.

6. Assist water suppliers in meeting SDWA requirements.

Projects needed by municipalities to comply with SDWA primary drinking water regulations receive more priority ranking points than projects needed to meet any other ranking category. Generally, projects needed to achieve compliance will receive sufficient points to be included in the Project Priority List. Loans to the municipalities of Chetopa, St. George, Ingalls, Fort Scott, Marion, Pleasanton, Winfield, Cloud Co RWD #1, Woodson Co RWD #1, Council Grove, and Herington were needed to fund projects for compliance purposes.

7. Protect public health.

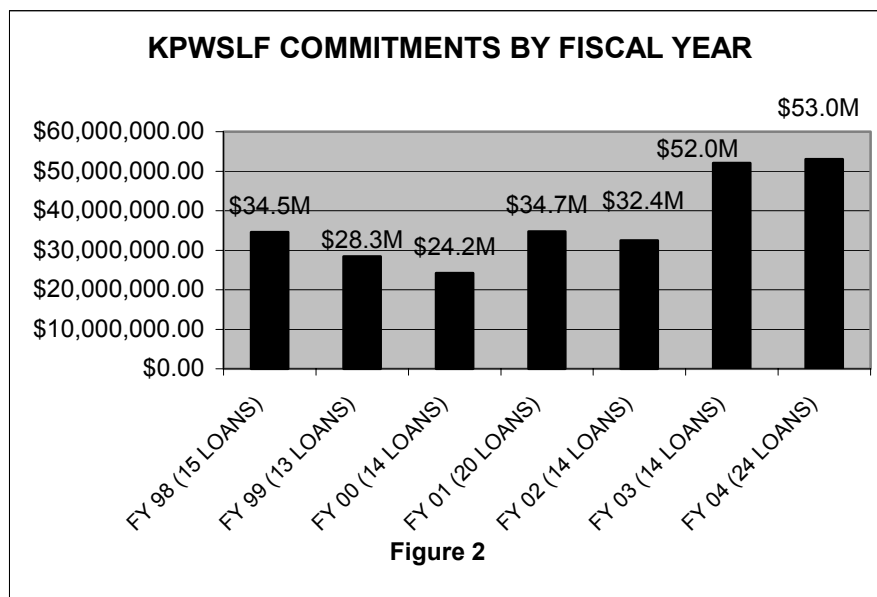
Projects funded for the purpose of achieving compliance with drinking water standards also serve to protect public health. In addition, many of the funded projects will improve the ability of the water system to provide sufficient quantities of water at suitable pressure, and otherwise increase the systems reliability to protect public health. Projects for Marion Co RWD #1, Geary Co. RWD #4, Coffeyville, Marshall Co. RWD #3, North Newton, Harper Co. RWD #2, Fort Scott, Russell, Chanute, Parsons, Olathe, and Downs fall in this category.

IV. Loan Fund Activity

Twenty-four new loans, one increase amendment and nine decrease amendments were closed during SFY04 for a net total of \$53,060,371.59. These projects are listed in Exhibit 5a and shown on a Kansas map in Exhibit 5b. As of June 30, 2004, 114 loan commitments have been made since the Program's inception, for a total of \$258,995,533.40.

Exhibit 8a contains summary information for these 114 loans and their location is shown on a Kansas map in Exhibit 8b.

Figure 2 shows program loans and amendments by fiscal year.



The following information is provided for the loans made during state fiscal year 2004.

TABLE 1

New Loan Descriptions

Municipality	Population/ Population served	Loan Amount	Need for Project
Chetopa	1,257 / 1,257	\$1,000,000	Build new treatment plant to comply with the Long Term 1 Enhanced Surface Water Treatment Rule, the Disinfection Byproducts rule, and the Filter Backwash Rule
Marion Co. RWD #1	620 / 620	\$400,000	Build new water tower to correct low pressure problems and increase storage
St. George	440 / 440	\$200,000	Construct new wells and transmission lines to lower nitrates below maximum contaminant levels
Geary Co. RWD #4	450 / 450	\$723,125	Build a water treatment plant to reduce iron and manganese and upgrade well pumps
Marion	2,103 / 2,103	\$800,000	Make treatment plant improvements to comply with the Disinfectants and Disinfection Byproducts Rule.

Municipality	Population/ Population served	Loan Amount	Need for Project
Johnson Co. RWD #7	4,537 / 4,537	\$969,014	Install transmission line to allow the City of Spring Hill to purchase water from Miami Co. RWD #2
Coffeyville	10,728 / 16,755	\$625,500	Replace deteriorating pipe in distribution system to reduce breaks and maintenance
Marshall Co. RWD #3	1,900 / 5,282	\$500,000	Construct water tower to increase emergency storage and reliability
North Newton	1,548 / 1,548	\$700,000	Replace deteriorating pipe in distribution system to reduce breaks and maintenance
Winfield	12,158 / 15,682	\$5,640,000	Make treatment plant improvements to comply with the Disinfectants and Disinfection Byproducts Rule and Long Term Enhanced Surface Water Treatment Rule.
Spring Hill	3,063 / 3,063	\$2,406,625	Construct pipeline and pay for treatment plant improvements to purchase water from Miami Co. RWD #2, allowing decommission of Spring Hill's treatment plant
Ingalls	331 / 331	\$203,347	Construct new wells and transmission lines to lower nitrates below the MCL
Cloud Co. RWD #1	450 / 450	\$300,000	Construct new wells and transmission lines to lower Radium below maximum contaminant levels and rehabilitate a standpipe
Woodson Co RWD #1	1,507 / 1,597	\$500,000	Construct pipeline to allow water purchase from Yates Center and decommission treatment plant
Harper Co. RWD #2	287 / 287	\$511,550	Replacement of distribution line to reduce water loss and maintenance
Fort Scott	8,297 / 13,722	\$4,200,000	Make water treatment plant improvements to reduce water loss and reduce disinfection byproduct creation
Council Grove	2,328 / 3,418	\$2,600,000	Make water treatment plant improvements to comply with the Stage 1 Disinfectants and Disinfection Byproducts Rule and the Long-Term 1 Enhanced Surface Water Treatment Rule
Herington	2,517 / 3,096	\$622,211.56	Make water treatment plant improvements to comply with the Stage 1 Disinfectants and Disinfection Byproducts Rule and the Long-Term 1 Enhanced Surface Water Treatment Rule
Russell	4,567 / 4,567	\$6,200,000	New treatment plant will allow separate treatment process for surface and ground water, remove secondary contaminants and allow increased capacity to meet demand
Chanute	9,217 / 11,714	\$377,000	Replace deteriorating distribution line

Municipality	Population/ Population served	Loan Amount	Need for Project
Pleasanton	1,392 / 2,990	\$650,000	Make water treatment plant improvements to comply with the Stage 1 Disinfectant and Disinfection By-Products Rule and the Long-Term 1 Enhanced Surface Water Treatment Rule
Parsons	11,384 / 13,391	\$5,000,000	Make improvements to water treatment plant to raise capacity and meet current demand
Olathe	96,518 / 435,573	\$20,000,000	Make treatment plant improvements to increase capacity and meet current demand
Downs	1,017 / 1,017	\$225,562.50	Make treatment plant improvements to remove nitrate and increase capacity to meet current demand

The following table lists projects that were removed from the 2004 Project Priority List during the fiscal year because the municipalities found other funding or have abandoned the project.

TABLE 2

Projects Declining Loan Consideration

Alma 2350	Andale 2003	Cedar Vale 2019	Coffee Co RWD #3 2216	Cottonwood Falls 2268
Crawford Co RWD #3 2030	Delia 2270	Dighton 2036	Douglas Co RWD #6 2038	Ford 2049
Franklin Co RWD #2 2052	Goff 2060	Hays 2064	Hoisington 2067	Inman 2073
Inman 2074	Jackson Co RWD #3 2077	Jefferson Co RWD #1 2282	Lindsborg 2096	Lindsborg 2097
Lyndon 2376	Montgomery Co RWD #8 2329	Mullinville 2114	Newton 2117	North Newton 2247
Otis 2130	Pratt 2142	Protection 2145	Reno Co RWD #3 2247	Rice Co RWD #1 2048
Scott City 2155	St. Marys 2162	Topeka 2370	Wabaunsee Co RWD #2 2175	

Federal grants are drawn from EPA as a percentage of costs incurred. For cash draws into the reserve account that percentage (draw ratio) is calculated using the all projects method formula as found in the *Guide to using EPA's Automated Clearing House for the Drinking Water State Revolving Fund Program*. This formula is essentially the Federal Capitalization Grant amounts (as awarded) that are to be deposited in the reserve fund divided by the net bond proceeds of the program. When the 2002 grant was awarded the draw ratio was 31%, 35% when the 2003 grant was awarded, and 36% when the 1997 – 2000 grants were amended to transfer unused set aside money to the reserve fund. Instead of withdrawing cash from the ACH each week when construction payments are made, the KPWSLF has chosen to initiate withdrawals when significant amounts of construction payments have accumulated. Construction payments are becoming more consistent and the Fund is considering changing this practice by initiating withdrawals systematically on a monthly or more frequent basis.

The following table lists the dates and amounts of construction payments and how they related to cash draws from federal grants that were made during the program year.

TABLE 3

Grant Draw Activity

Date Range	Construction Costs Paid During Date Range	Construction Costs Plus Excess From Previous Date Range, if any	Draw Ratio	Federal Amount Withdrawn	Construction Costs Needed to Cover Drawn Amount	Year of Federal Grant Withdrawn From	Date of Grant Withdraw	Excess Construction Costs to be Associated with Next Grant Draw
9/24/02 - 7/31/03	\$21,404,310	\$21,404,310	31%	\$6,635,336	\$21,404,310	2002	8/13/2003	\$0
8/1/03 - 9/22/03	\$5,248,572	\$5,248,573	31%	\$1,560,282	\$5,033,168	2002	10/22/2003	\$215,405
9/23/03 - 2/18/04	\$14,112,027	\$14,327,432	35%	\$5,014,601	\$14,327,431	2003	2/14/2004	\$1
2/19/04 - 3/24/04	\$4,884,331	\$4,884,331	35%	\$1,709,516	\$4,884,331	2003*	6/23/2004	\$0
3/25/04 - 5/31/04	\$5,805,649	\$5,805,649	36%	\$2,022,788	\$5,618,856	1997,1998, 1999,2000**	6/23/2004	\$186,794
6/1/04 - 6/28/04	\$2,808,996	\$2,995,790	36%	\$955,645	\$2,654,569	2003*	6/23/2004	\$341,220

* on 6/23/04 there was only one draw made from the 2003 grant. It is broken down in this table to show the change in draw ratio that occurred on 3/26/04

** on 6/23/04 there were four draws made, one for each grant amendment - they are totaled here for simplicity

V. Set-Aside Activities

The SDWA includes several provisions allowing states to reserve a portion of the capitalization grant for specific purposes. As mentioned in the 2003 annual report, amendments were made to the FFY 1997- FFY 2000 Cap Grants to transfer \$2,022,788 in unused set-asides to the reserve fund and also transfer \$360,000 and

\$255,000 from the 2001 and 2002 State Program Management set-aside to the Other Authorized Activity set-aside (1452 (k)). After the amendments, KDHE reserved a total of \$6,581,650 for set-asides from the FFY1997 – FFY 2003 Capitalization Grants equaling \$74,854,500. Figure 3 shows

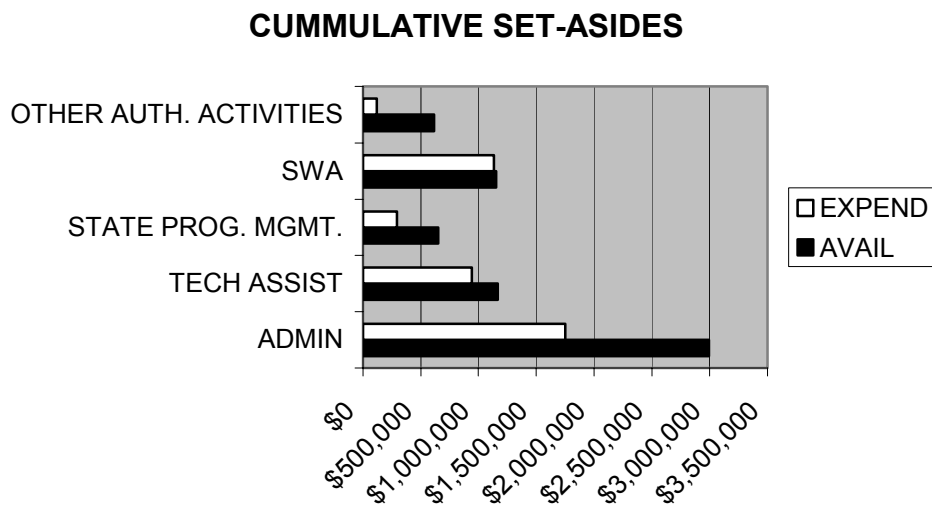


Figure 3

the amount of set-asides reserved and disbursed. Table 4 shows the amendments to the 1997 through 2002 Cap Grants. Exhibit 10 contains detailed information about the amount of set-asides reserved and drawn to cover expenses. Exhibit 6 shows a quarterly summary of when these set-aside costs were incurred.

TABLE 4

Grant Adjustment of Set Aside Accounts

Account	As Awarded	As Amended	Difference	Reserve Credit Toward Future Grants
1997				
Reserve Account	\$ 11,354,800.00	\$ 11,776,871.00	\$ 422,071.00	\$ 422,071.00
4% Administration	\$ 563,800.00	\$ 563,800.00	\$ -	
2% Technical Assistance	\$ 281,900.00	\$ 281,900.00	\$ -	
State Program Management	\$ 740,000.00	\$ 317,929.00	\$ (422,071.00)	
Source Water Assessment	\$ 1,154,500.00	\$ 1,154,500.00	\$ -	
Total Federal Funding	\$ 14,095,000.00	\$ 14,095,000.00		
1998				
Reserve Account	\$ 8,922,614.00	\$ 9,407,614.00	\$ 485,000.00	\$ 485,000.00
4% Administration	\$ 400,324.00	\$ 400,324.00	\$ -	
2% Technical Assistance	\$ 200,162.00	\$ 200,162.00	\$ -	
State Program Management	\$ 485,000.00	\$ -	\$ (485,000.00)	
Total Federal Funding	\$ 10,008,100.00	\$ 10,008,100.00		
1999				
Reserve Account	\$ 9,375,036.00	\$ 9,860,036.00	\$ 485,000.00	\$ 485,000.00
4% Administration	\$ 419,576.00	\$ 419,576.00	\$ -	
2% Technical Assistance	\$ 209,788.00	\$ 209,788.00	\$ -	
State Program Management	\$ 485,000.00	\$ -	\$ (485,000.00)	
Total Federal Funding	\$ 10,489,400.00	\$ 10,489,400.00		
2000				
Reserve Account	\$ 9,762,410.00	\$ 10,393,127.00	\$ 630,717.00	\$ 145,717.00
4% Administration	\$ 436,060.00	\$ 436,060.00	\$ -	
2% Technical Assistance	\$ 218,030.00	\$ 72,313.00	\$ (145,717.00)	
State Program Management	\$ 485,000.00	\$ -	\$ (485,000.00)	
Total Federal Funding	\$ 10,901,500.00	\$ 10,901,500.00		
2001				
Reserve Account	\$ 9,827,552.00	\$ 9,827,552.00	\$ -	
4% Administration	\$ 437,864.00	\$ 437,864.00	\$ -	
2% Technical Assistance	\$ 218,932.00	\$ 218,932.00	\$ -	
State Program Management	\$ 462,252.00	\$ 102,252.00	\$ (360,000.00)	
Other Authorized Activity	\$ -	\$ 360,000.00	\$ 360,000.00	
Total Federal Funding	\$ 10,946,600.00	\$ 10,946,600.00		
2002				
Reserve Account	\$ 8,195,618.00	\$ 8,195,618.00	\$ -	
4% Administration	\$ 369,388.00	\$ 369,388.00	\$ -	
2% Technical Assistance	\$ 184,694.00	\$ 184,694.00	\$ -	
State Program Management	\$ 485,000.00	\$ 230,000.00	\$ (255,000.00)	
Other Authorized Activity	\$ -	\$ 255,000.00	\$ 255,000.00	
Total Federal Funding	\$ 9,234,700.00	\$ 9,234,700.00		

The following paragraphs discuss the set-asides taken by KDHE and work performed.

- A. Program Administration. The SDWA allows the state to reserve 4% of each capitalization grant to administer the loan program. KDHE has reserved \$2,994,180 from all Capitalization grants through June 30, 2004. At the end of state fiscal year 2004, \$1,750,548 had been spent from this set-aside, including \$369,970 during the fiscal year, leaving \$1,243,632 to continue with future program administration. Funds are used for financial reviews for loan applicants, construction inspections, project review, processing the needs survey and loan applications.
- B. Technical Assistance to Small Systems. The SDWA allows the state to reserve 2% of each capitalization grant to provide technical assistance to systems serving populations less than 10,000. KDHE has reserved \$1,167,789 from all Capitalization Grants through June 30, 2004. KDHE contracted the Kansas Rural Water Association to provide assistance with resolving compliance issues, management issues, operation and maintenance problems, and improving performance of surface water treatment plants with funding from this set-aside. The contract provides for reimbursement of actual costs, with a ceiling of \$200,000 annually. During fiscal year 2004, expenditures totaled \$178,875. Total expenditures through the end of fiscal year 2004 were \$940,446 leaving \$227,343 for future contracts.
- C. Source Water Assessment. The SDWA allowed states to reserve 10% of the FFY97 Capitalization Grant to develop and implement a program to conduct source water assessments for all public water suppliers. Kansas contracted with Burns & McDonnell to perform the assessments. Kansas reserved \$1,154,500 for this purpose. FFY97 is the only year funding was available under this set-aside. During FY04, \$180,002 was spent. Total expenditures through the end of fiscal year 2004 were \$1,133,500 leaving \$21,000 to develop source water protection plans.
- D. State Program Management. Another provision of the SDWA allows states to reserve up to 10% of the capitalization grant to supplement the public water supply supervision grant provided by EPA to the state to implement the national drinking water program. This set-aside can also be used to fund several new programs required by the SDWA, including operator certification and capacity development. States must match any funds from this set-aside on a dollar for dollar basis, with at least half of the match coming from state funds in excess of the state funds provided to the program in FY93. Kansas has reserved \$650,181 from all Capitalization Grants through June 30, 2004. At the end of state fiscal year 2004, \$292,993 had been spent, leaving a balance of \$357,188. Money from this Set-Aside has funded salary and costs for the Capacity Development Program Coordinator.
- E. Other Authorized Activity. The SDWA allows states to reserve up to 15% of the capitalization grant to fund other authorized activities including awarding loans for source water protection purposes, providing assistance as part of a capacity development strategy, and establishment and implementation of well head protection programs. Kansas has reserved \$615,000 from all Capitalization Grants through June

30, 2004 for this set aside. At the end of state fiscal year 2004, \$120,000 had been spent, leaving a balance of \$495,000. Activities funded under this set aside are mainly for capacity development assistance and include development of a water system board member training manual, water rate seminars, system rate reviews, matching funds for regional water system feasibility studies, and asset management training.

In FY 2005 an ACH draw correction is needed with EPA to move \$120,000 that was taken from the PWS Program Management set aside that should have been taken from the Other Authorized Activity set aside.

VI. Fund Financial Status

A. Available Funds

Kansas was awarded the 2003 Cap Grant in November of 2003. Figure 5 shows the available sources for the fiscal year.

Exhibit 6 also shows the amount of select disbursements by quarter for loan payments and administration compared to ACH draws of federal capitalization grant funds. The differences between the two totals reflect the time between costs incurred and draws made.

Figure 6 shows the sources of funding available cumulatively through FY04. The EPA Capitalization Grant is distributed between set-asides and the reserve account. The state match funding represents bonds that are used as the required 20% match to receive the Capitalization Grant.

Fiscal Year 2004 Sources

■ RESERVE □ SET ASIDES ■ STATE MATCH

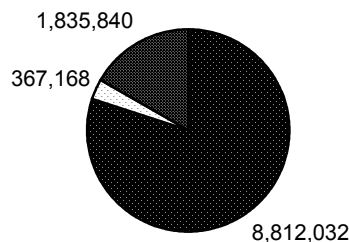


Figure 5

KPWSLF Cumulative Sources

■ RESERVE □ SET ASIDES ■ STATE MATCH
□ SB 487 ■ LEVERAGED BONDS

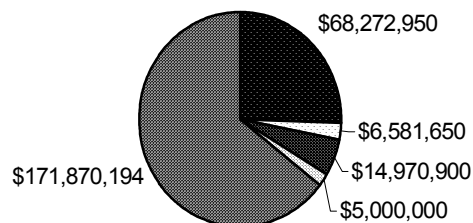


Figure 6

The leveraged funding represents bond proceeds that are leveraged from the reserve account. With the addition of the 2003 Capitalization Grant, the reserve account can support \$115,561,800 in additional bond principal and still meet the requirement that the reserve account be no less than 25% of revenue bonds sold.

B. Assets, Liabilities, and Net Assets

As illustrated by the Kansas Public Water Supply Loan Fund Statement of Net Assets (Exhibit 1), the program accumulated assets of \$266,299,492 in its first seven years of operation including cash and investments of \$113,655,804, project loans receivable of \$145,791,069, and other assets of \$6,852,619. Liabilities of \$185,532,611 were incurred including bonds payable of \$178,111,256, arbitrage rebate of \$1,734,084, and other liabilities of \$5,687,271; leaving net assets of \$80,766,881.

The 2003 financial statements have been restated to record service fees collected as revenue rather than a liability. The prior period adjustment increased FY 2003 net assets by \$696,902.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Currently the fund has no net assets invested in capital assets. Net assets are reported as restricted when there are external limitations imposed on their use. All assets of the program have been determined to be restricted assets in accordance with the conditions of the Public Water Supply EPA Capitalization grants and bond covenants. Restricted net assets includes EPA capitalization grants restricted for the 1) bond reserve fund, 2) program administration expenses, 3) technical assistance, 4) state program management, 5) other authorized activity, and 6) source water assessment. The amounts of capitalization grant restricted for program administration, technical assistance, state program management, other authorized activity, and source water assessment are being recognized as revenue when earned. Also included in restricted net assets is an account titled "Contributed Capital – State of Kansas". The account consists of moneys contributed to the Fund per K.S.A. 74-8203, as amended and supplemented.

C. Revenues and Expenses

According to the Statement of Revenues, Expenses and Changes in Fund Net Assets (Exhibit 2), the changes in net assets of \$19,353,227 shows the KPWSLF experienced an excess of revenues over expenses in FY 04. Revenues consist of \$11,580,296 in operating and non-operating revenues. Operating revenue includes interest earned on loans of \$5,004,774, EPA capitalization grant administration receipts of \$1,002,491, service fee revenue of \$455,904, and other revenue totaling \$91,829. Non-operating revenue includes interest of \$2,753,855 earned on the bond reserve funds, \$2,271,443 from other investments, and \$17,898,168 drawn down from Federal Capitalization grants and deposited into the leveraged bond reserve account. Expenses consist of \$10,125,237 in operating and non-operating

expenses. Operating expenses include program administration federal expenses of \$968,896, other program administration expenses of \$133,495 paid from loan origination and service fees, and arbitrage rebate of \$-205,824. Non-operating expenses include bond interest of \$9,098,451 and other bond expenses of \$130,219.

D. Statement of Cash Flows

The Statement of Cash Flows (Exhibit 3) identifies the sources and the uses of cash during the fiscal year and demonstrates that the Fund had sufficient cash to meet its obligations.

E. Supplemental Schedules

Exhibit 4 provides detailed information regarding Investments, Accounts Receivable, and Accounts Payable included on the Statement of Net Assets (Exhibit 1).

F. Binding Commitments

As shown in Exhibit 5a, the KPWSLF entered into binding commitments (loan agreements) with 24 municipalities totaling \$55,353,935.06. Eighteen of the municipalities have a population less than 5,000 and nineteen systems serve less than 10,000 persons. Exhibit 5a also shows ten amendments to previous commitments showing a total of - \$2,293,563.47.

G. Completed Projects

Projects in Baldwin City, Carbondale, Chanute, Douglas Co RWD #4, Florence, Garden City, Garnett, Hiawatha, Leavenworth Co. RWD #7, Leavenworth Water Department, Marysville, Osage City, Osawatomie, Pottawatomie RWD #3, PWWD #4, and Sharon Springs were completed in FY04. Details are provided in Exhibit 7.

H. Financial Integrity Assurance Contracts

The Financial Integrity Assurance Contract (FIAC) is a contract between the borrower and the Kansas Rural Water Finance Authority (KRWFA). The FIAC was developed as a program enhancement to assure borrowers without general obligation taxing authority could access the Loan Fund. Under a FIAC, the municipality is required to provide quarterly management reports, an annual budget and an audit to the KRWFA. Municipalities required to enter into an FIAC are identified in Exhibit 8a. KRWFA has monitored the quarterly reports and reviewed the annual budgets of the FIAC borrowers. Recommendations for revenue enhancement were made to Butler Co RWD #8 to correct a deficiency in the required 1.25 debt service coverage.

I. Quarterly loan activity, including loan disbursements and principal and interest repayments, is shown for all loans in Exhibit 9. At the end of FY04, \$161,670,444.17 had been disbursed to loan recipients (Project payments, Interest Accrued, and Fees Accrued), and

\$15,879,375.05 in principal and \$12,745,674.07 in interest had been repaid.

VII. Compliance with Assurances and Grant Conditions

The EPA guidelines suggest several other areas for this annual report to address. This section of the report will address those areas not already addressed in other sections of the report.

- A.** The state must establish in the report that it has reviewed all funded projects in accordance with the approved state environmental review procedure.

Each of the twenty-four projects receiving assistance during state fiscal year 2004 was reviewed in accordance with the "Environmental Review Procedure for the Kansas Public Water Supply Loan Fund", dated July 1997. All reviews resulted in preparation of a finding of no significant impact statement or a categorical exclusion. The increase amendment for Osage City was for additional equipment needed for the water treatment plant project. No new areas were impacted, so an additional environmental assessment was not performed.

- B.** The state must establish that it deposited its match on or before the date on which each grant payment was made.

The State match for the FY 2003 capitalization grant was deposited in January 2004.

- C.** The state must establish that it made binding commitments to provide assistance equal to the Federal Capitalization Grant, less set-aside funds, plus the State match funds within one year after receiving the grant payment.

With binding commitments totaling \$258,995,533.40 as of June 30, 2004 and all Federal Capitalization Grants allotted through 2004, less set – aside funds, plus the State match totaling \$94,289,386, Kansas has far exceeded this requirement.

- D.** The state must establish that it managed the program in a fiscally prudent manner and adopted policies and processes to promote the long-term financial health of the fund.

Exhibit 2 indicates the program generated sufficient resources to cover expenses during the fiscal year. The change in net assets as of June 30, 2004 was \$19,353,227. The Loan Fund charges a 0.25% loan origination fee to pay for the financial reviews, and all recipients required to enter into a FIAC are charged an additional 1% fee. A 0.35% service fee, which is included in the loan interest rate, will help to generate income to pay for continued administration of the program.

- E.** The state must establish that it complies with EPA grant regulations (40 CFR Part 31) and specific conditions of the capitalization grant.

KDHE believes it is complying with EPA grant regulations and with the specific conditions of the capitalization grant. The program continues to operate under a deviation from draw rules.

- F.** The state must establish that it complied with Federal cross-cutting authorities that apply to the state as a Federal grantee and those which flow through to assistance recipients.

No problems with cross-cutting authorities were encountered during the fiscal year.

- G.** The state must demonstrate that it provided assistance only to eligible water systems and for eligible purposes under the EPA Guidelines.

Kansas law allows for loans to municipalities, which are defined as political or taxing subdivisions of the state. Both of these categories are eligible for assistance under the SDWA and federal regulations. All projects receiving assistance during the fiscal year are listed in Exhibit 5a and described in Section IV of the report. KDHE believes these projects are eligible for assistance from the program.

- H.** The state must demonstrate that it funded only the highest priority projects listed on the IUP, according to their priority and readiness to proceed, and have documented any procedures for by-passing priority projects on the IUP.

Exhibit 11 shows the Project Priority List from the 2004 Intended Use Plan. The IUP was finalized on September 2, 2003 and amended on May 11, 2004 to add two projects (Downs and Parsons) to the Project Priority List. Projects from the list were funded during the program year. Fifty-nine projects were above the funding line at the beginning of the program year. Eighteen of the twenty-four loans made during the fiscal year were from the upper half of the projects above the funding line on the 2004 Project Priority List. No projects below the funding line were funded. Projects were funded as applications were received and no project was by-passed.

EXHIBIT 1

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

STATEMENTS OF NET ASSETS

June 30, 2004 AND 2003

	UNAUDITED	
	2004	2003
ASSETS		
Current assets:		
Cash	\$ 12,670,267	\$ 9,821,227
Restricted cash - rebate 1998 series	-	375,000
Investment interest receivable	1,342,429	1,978,580
Loan interest receivable	2,225,924	1,812,922
Other receivables	314,826	298,407
Total current assets	16,553,446	14,286,136
Noncurrent assets:		
Restricted cash - rebate 2000 series	650,000	150,000
Investments	25,498,550	59,616,301
Loans	145,791,069	118,267,526
Loan reserve accounts	3,346,407	3,155,305
Debt service reserve fund - investments	44,480,002	44,480,002
Debt service reserve fund - cash	27,660,578	9,762,410
Bond issue costs, net of amortization	2,319,440	2,449,659
Total noncurrent assets	249,746,046	237,881,203
Total assets	266,299,492	252,167,339
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	88,963	144,226
Bond interest payable	2,248,649	2,300,149
Revenue bonds payable, current	6,370,000	4,555,000
Total current liabilities	8,707,612	6,999,375
Current liabilities payable from restricted assets:		
Arbitrage rebate payable	-	515,743
Total current liabilities payable from restricted assets	-	515,743
Noncurrent liabilities:		
Arbitrage rebate payable	1,734,084	1,918,158
Loan reserve accounts payable	3,349,659	3,158,507
Revenue bonds payable, long-term, net	171,741,256	178,161,902
Total noncurrent liabilities	176,824,999	183,238,567
Total liabilities	185,532,611	190,753,685
NET ASSETS		
Invested in capital assets, net of related debt	-	-
Restricted net assets	80,766,881	61,413,654
Unrestricted net assets	-	-
Total net assets	\$ 80,766,881	\$ 61,413,654

EXHIBIT 2

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended June 30, 2004 AND 2003

UNAUDITED

	2004	2003
Operating revenues:		
Loans	\$ 5,004,774	4,058,956
Grant revenue	1,002,491	943,939
Service fee revenue	455,904	367,520
Other revenue	91,829	131,422
Total operating revenues	6,554,998	5,501,837
Operating expenses:		
Program administration-federal	369,970	318,241
Program administration-other federal set-asides	598,926	624,837
Program administration-other	133,495	183,712
Arbitrage rebate	(205,824)	329,073
Total operating expenses	896,567	1,455,863
Operating income	5,658,431	4,045,974
Nonoperating revenues (expenses):		
Investment income:		
Bond reserve fund	2,753,855	2,713,562
Other investment income	2,271,443	4,213,330
Capital contributions-capitalization grants, net of		
recognized administrative grants	17,898,168	-
Bond issuance costs	(130,219)	(131,992)
Interest expense - bonds	(9,098,451)	(9,267,045)
Total nonoperating revenues (expenses)	13,694,796	(2,472,145)
Change in net assets	19,353,227	1,573,829
Total net assets, beginning of year as previously stated	61,413,654	59,427,062
Prior period adjustment	-	412,763
Total net assets, beginning of year as restated	61,413,654	59,839,825
Total net assets, ending	\$ 80,766,881	\$ 61,413,654

EXHIBIT 3

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	Unaudited	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 4,591,772	\$ 3,684,415
Other receivables	(16,419)	(27,315)
Program administration expenses	(1,024,159)	(1,239,509)
Arbitrage rebate paid	(493,993)	(936,330)
Service fees received	455,904	367,520
Other revenue	91,829	131,422
Service fees paid	(133,495)	(183,712)
Capitalization grant for administrative costs	1,002,491	943,939
Net cash provided by operating activities	4,473,930	2,740,430
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond principal paid	(4,555,000)	(3,575,000)
Bond interest paid	(9,200,597)	(9,143,849)
Capitalization grant for reserve fund	17,898,168	-
Bond issuance costs refunded	-	49,637
Net cash provided by (used in) capital and related financing activities	4,142,571	(12,669,212)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	34,117,751	27,640,666
Proceeds from sales and maturities of debt service reserve funds	-	9,762,410
Interest received on investments and debt service reserve funds	5,661,449	7,262,597
Loan principal collected	6,594,209	3,657,587
Loans disbursed	(34,117,752)	(27,640,666)
Increase in loan reserve accounts	(191,102)	(1,219)
Increase in loan reserve payables	191,152	-
Net cash provided by investing activities	12,255,707	20,681,375
Net increase in cash	20,872,208	10,752,593
Cash, beginning of year	20,108,637	9,356,044
Cash, end of year	\$ 40,980,845	\$ 20,108,637
Cash consists of:		
Cash	\$ 12,670,267	\$ 9,821,227
Debt service reserve fund - cash	27,660,578	9,762,410
Restricted cash - 1998 series	-	375,000
Restricted cash - 2000 series	650,000	150,000
	\$ 40,980,845	\$ 20,108,637

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	UNAUDITED	
	2004	2003
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,658,431	\$ 4,045,974
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Loan interest receivable	(413,002)	(374,540)
Other receivables	(16,419)	(27,315)
Accounts payable and accrued expenses	(55,263)	(296,432)
Arbitrage rebate payable	(699,817)	(607,257)
Net cash provided by operating activities	<u>\$ 4,473,930</u>	<u>\$ 2,740,430</u>

EXHIBIT 4

State of Kansas
Public Water Supply Loan Fund
Supplemental Schedules
June 30, 2004

Schedule of Investments

Purchase Date	Maturity Date	Provider	Amount	Interest Rate
01/15/1998	03/01/2020	Westdeutsche Landesbank	\$ 11,354,800	5.530%
12/10/1998	03/15/2021	Societe Generale	9,922,614	5.050%
07/14/2000	12/01/2003	MBIA, Inc.	-	6.950%
07/14/2000	04/01/2023	AIG Matched Funding Corporation	13,375,036	6.971%
05/02/2002	05/01/2007	Citigroup	25,498,550	4.780%
05/02/2002	04/01/2024	Citigroup	9,827,552	4.866%
Total Investments			\$ 69,978,552	

Schedule of Accounts Receivable

ADB Earnings	\$ 40,674	
Accrued Interest on Loans	2,225,924	
Accrued Service Fees on Loans	203,535	
ACH Takedowns in Process	25,000	
ACH Takedowns Receivable	45,542	
Payroll	75	
		2,540,750
<i>Investment Earnings:</i>		
Westdeutsche Landesbank	209,307	
Societe Generale	167,031	
AIG Matched Funding Corp.	308,201	
Citigroup	657,890	
		1,342,429
Total Accounts Receivable		\$ 3,883,179

Schedule of Accounts Payable

Payroll Payable	\$ 28,890	
Bond Interest Payable	2,248,649	
FASA Fees Payable	10,329	
Administrative Expenses Payable	1,702	
Arbitrage Rebate Payable	1,734,084	
Technical Assistance Fees Payable	45,542	
FIAC Payable	2,500	
		4,071,696
<i>Loan Reserve Accounts Payable:</i>		
Butler Co. RWD #8	81,687	
Butler Co. RWD #8 - Earnings	461	
Crawford Co. RWD #5	57,965	
Crawford Co. RWD #5 - Earnings	327	
Doniphan Co. RWD #5	4,630	
Doniphan Co. RWD #5 - Earnings	26	
Douglas Co. RWD #5	116,363	
Douglas Co. RWD #5 - Earnings	656	
Finney Co. RWD #1	251,122	
Finney Co. RWD #1 - Earnings	1,414	
Geary Co. RWD #4	24,173	
Geary Co. RWD #4 - Earnings	72	
Harvey Co. RWD #1	53,968	
Harvey Co. RWD #1 - Earnings	305	
Jackson Co. RWD #1	217,044	
Jackson Co. RWD #1 - Earnings	1,229	
Johnson Co. RWD #6	123,944	
Johnson Co. RWD #6 - Earnings	698	
Johnson Co. RWD #7	157,859	
Johnson Co. RWD #7 - Earnings	890	
Johnson Co. RWD #7.2	64,027	
Johnson Co. RWD #7.2 - Earnings	264	
Leavenworth Co. RWD #1	296,436	
Leavenworth Co. RWD #1 - Earnings	1,668	
Leavenworth Co. RWD #7	165,296	
Leavenworth Co. RWD #7 - Earnings	932	
Marion Co. RWD #1	6,794	
Marion Co. RWD #1 - Earnings	8	
Marion Co. RWD #4	184,478	
Marion Co. RWD #4 - Earnings	1,039	
Marshall Co. RWD #3	57,547	
Marshall Co. RWD #3 - Earnings	325	
Miami Co. RWD #2	551,505	
Miami Co. RWD #2 - Earnings	3,101	
Osage Co. RWD #4	14,103	
Osage Co. RWD #4 - Earnings	1	
Pottawatomie Co. RWD #3	48,040	
Pottawatomie Co. RWD #3 - Earnings	372	
Public Water Wholesale District #4	112,415	
Public Water Wholesale District #4 - Earnings	636	
Public Water Wholesale District #4.2	53,071	
Public Water Wholesale District #4.2 - Earnings	546	
Public Wholesale Water Supply Dist. #17	333,446	
Public Wholesale Water Supply Dist. #17 - Earnings	1,876	
Shawnee Co. Consol. RWD #1	263,542	
Shawnee Co. Consol. RWD #1 - Earnings	1,265	
Shawnee Co. RWD #3	91,577	
Shawnee Co. RWD #3 - Earnings	516	
		3,349,659
Total Accounts Payable		<u>\$ 7,421,355</u>

EXHIBIT 5

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
NEW PROJECTS RECEIVING KPWSLF FINANCIAL ASSISTANCE – FY 04

EXHIBIT 5a

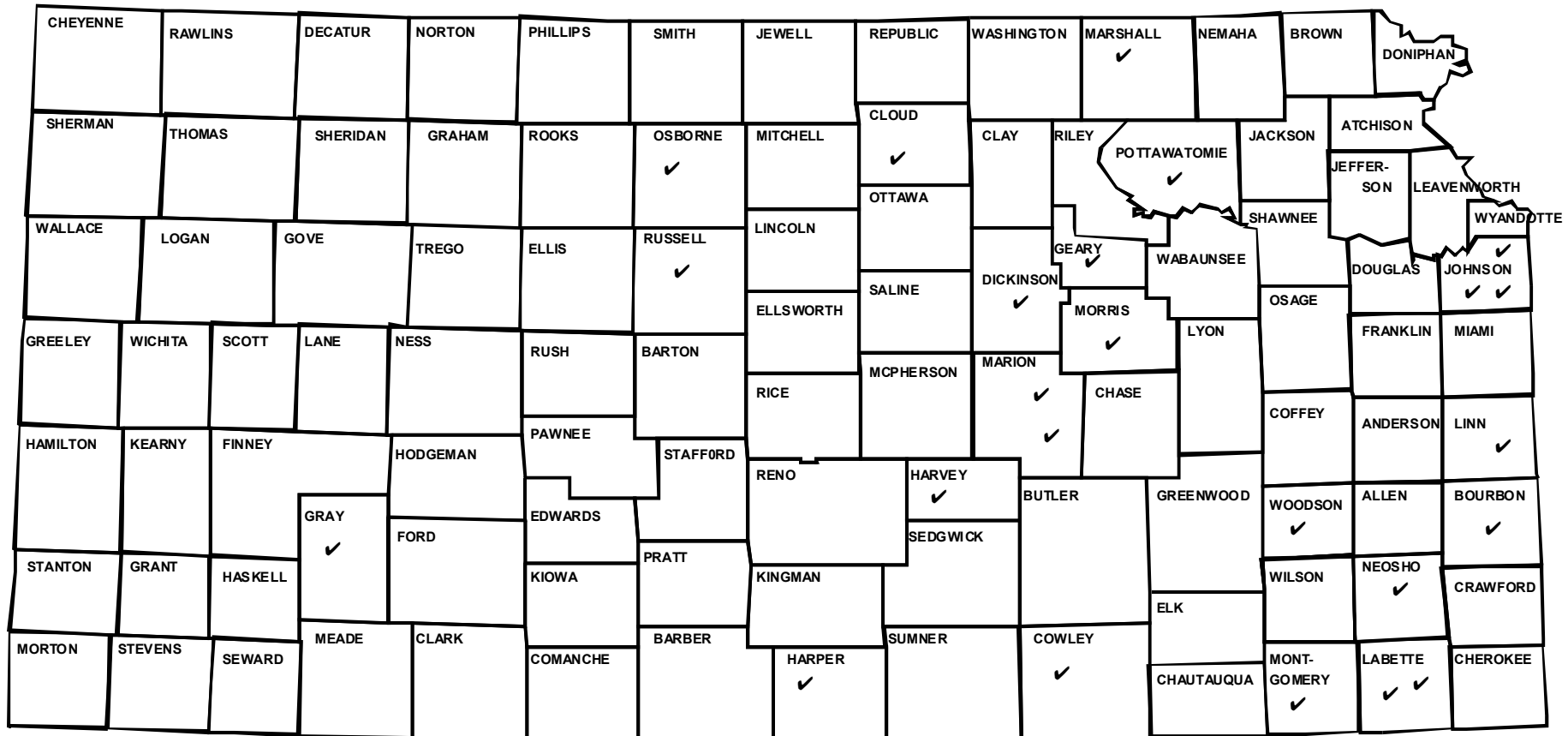
PROJECT NAME	PROJECT NUMBER	ASSIST AMOUNT	BINDING COMMIT DATE	INT RATE	DATE LOAN MATURES	BINDING COMMITMENTS - FY 04 BY QUARTER			
COMMUNITIES SERVED						QTR 1	QTR 2	QTR 3	QTR 4
Chetopa ^{1,2}	2188	1,000,000.00	07/11/03	3.59%	08/01/25	1,000,000.00	300,000.00 500,000.00	511,550.00 4,200,000.00 2,600,000.00 622,211.56 6,200,000.00	377,000.00 650,000.00 5,000,000.00 20,000,000.00 225,562.50
Marion Co. RWD #1 ^{1,2}	2332	400,000.00	07/15/03	3.59%	08/01/25	400,000.00			
St. George ^{1,2}	2308	200,000.00	07/25/03	3.59%	08/01/25	200,000.00			
Geary Co. RWD #4 ^{1,2}	2319	723,125.00	07/31/03	3.59%	08/01/25	723,125.00			
Marion ^{1,2}	2331	800,000.00	07/31/03	3.59%	02/01/26	800,000.00			
Johnson Co. RWD #7 ^{1,2}	2333	969,014.00	08/05/03	3.60%	08/01/25	969,014.00			
Coffeyville ^{1,2}	2267	625,500.00	08/15/03	3.60%	08/01/25	625,500.00			
Marshall Co. RWD #3-2 ^{1,2}	2336	500,000.00	08/25/03	3.60%	02/01/26	500,000.00			
North Newton ^{1,2}	2328	700,000.00	09/03/03	3.78%	02/01/25	700,000.00			
Winfield	2233	5,640,000.00	09/17/03	3.78%	08/01/25	5,640,000.00			
Spring Hill ^{1,2}	2367	2,406,625.00	09/25/03	3.78%	08/01/25	2,406,625.00			
Ingalls ^{1,2}	2356	203,347.00	09/30/03	3.78%	02/01/25	203,347.00			
Cloud Co. RWD #1 ^{1,2}	2327	300,000.00	11/11/03	3.97%	02/01/26				
Woodson Co. RWD #1 ^{1,2}	2345	500,000.00	11/17/03	3.97%	08/01/25				
Harper Co. RWD #2 ^{1,2}	2351	511,550.00	01/07/04	3.80%	08/01/25				
Fort Scott	2277	4,200,000.00	01/16/04	3.80%	02/01/26				
Council Grove ^{1,2}	2378	2,600,000.00	02/02/04	3.73%	02/01/26				
Herington ^{1,2}	2357	622,211.56	03/01/04	3.68%	02/01/26				
Russell 2 ^{1,2}	2362	6,200,000.00	03/15/04	3.68%	08/01/26				
Chanute	2364	377,000.00	04/15/04	3.62%	08/01/25				377,000.00
Pleasanton ^{1,2}	2348	650,000.00	04/19/04	3.62%	08/01/26				650,000.00
Parsons	2394	5,000,000.00	05/17/04	3.69%	02/01/26				5,000,000.00
Olathe	2366	20,000,000.00	05/21/04	3.69%	02/01/26				20,000,000.00
Downs ^{1,2}	2388	225,562.50	05/27/04	3.69%	08/01/25				225,562.50
AMENDMENTS									
Douglas Co. RWD #4	2274	(\$204,000.00)	10/28/03	4.08%	08/01/24		(\$204,000.00)	(\$78,849.39) (\$48,253.42) (\$69,210.62) (\$32,210.59)	(\$206,289.74) (\$204,802.18) \$700,000.00 (\$188,303.70)
Jackson Co RWD #1	2214	(\$1,961,643.83)	11/24/03	4.44%	02/01/24		(\$1,961,643.83)		
Coffeiville	2026	(\$78,849.39)	01/28/04	4.25%	08/01/23				
Marysville	2294	(\$48,253.42)	02/02/04	4.14%	02/01/24				
New Strawn	2222	(\$69,210.62)	02/10/04	4.52%	02/01/23				
Ulysses	2171	(\$32,210.59)	02/17/04	4.11%	02/01/23				
Public Wholesale WDS # 4	2303	(\$206,289.74)	04/14/04	4.14%	02/01/24				
Saline Co. RWD #4	2305	(\$204,802.18)	04/16/04	4.01%	08/01/24				
Osage City	2127	\$700,000.00	5/3/2004	4.13%	08/01/24				
Douglas Co. RWD #4	2274	(\$188,303.70)	06/15/04	4.08%	08/01/24				
TOTAL BINDING COMMITMENTS		\$53,060,371.59				\$14,167,611.00	(\$1,365,643.83)	\$13,905,237.54	\$26,353,166.88
CUMULATIVE BINDING COMMITMENTS						220,102,772.81	218,737,128.98	232,642,366.52	258,995,533.40

¹ Indicates municipalities with a population less than 5000

² Indicates systems that serve less than 10,000

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
NEW PROJECTS RECEIVING KPWSLF FINANCIAL ASSISTANCE – FY 04

EXHIBIT 5b



KPWSLF
Projects Funded in FY 2004
24 Projects - \$55,353,935.06

EXHIBIT 6

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
SCHEDULE OF AVAILABLE FUNDS, ACH DRAWS, AND DISBURSEMENTS
For the Year Ended June 30, 2004

EXHIBIT 6
Page 1

DESCRIPTION	FY 1998-2003	1ST Q -FY04	2ND Q -FY04	3RD Q -FY04	4TH Q -FY04	TOTAL
ACH AVAILABLE, BEGINNING	0	65,675,300	65,675,300	74,854,500	74,854,500	0
FEDERAL CAPITALIZATION GRANTS DEPOSITED IN ACH						
LEVERAGED RESERVE FUND	57,438,030		8,812,032	2,022,788		68,272,850
ADMINISTRATION	2,627,012		367,168			2,994,180
TECHNICAL ASSISTANCE	1,313,506			(145,717)		1,167,789
STATE PROGRAM MANAGEMENT	3,142,252			(2,237,071)	(255,000)	650,181
OTHER AUTHORIZED ACTIVITIES 1452K	0			360,000	255,000	615,000
SOURCE WATER ASSESSMENT	1,154,500					1,154,500
ACH AVAILABLE, ENDING	65,675,300	65,675,300	74,854,500	74,854,500	74,854,500	74,854,500
STATE MATCH AVAILABLE	13,135,060		1,835,840			<u>14,970,900</u>
TOTAL AVAILABLE	78,810,360		11,015,040			<u><u>89,825,400</u></u>
ACH DRAWS						
STATE SHARE						
LEVERAGED RESERVE FUND	49,242,412	6,635,336	1,560,282	5,014,601	4,687,949	67,140,580
ADMINISTRATION	1,362,600	113,650	76,500	91,700	111,500	1,755,950
TECHNICAL ASSISTANCE	719,163	45,000		78,000	53,000	895,163
STATE PROGRAM MANAGEMENT	174,100	97,250	31,100	25,500	91,000	418,950 (c)
OTHER AUTHORIZED ACTIVITIES 1452K	0					0 (c)
SOURCE WATER ASSESSMENT	940,605	23,600	90,600	49,000	32,000	1,135,805
TOTAL ACH DRAWS	52,438,880	6,914,836	1,758,482	5,258,801	4,975,449	71,346,448

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
SCHEDULE OF AVAILABLE FUNDS, ACH DRAWS, AND DISBURSEMENTS
For the Year Ended June 30, 2004

EXHIBIT 6
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DESCRIPTION	FY 1998-2003	1ST Q -FY04	2ND Q -FY04	3RD Q -FY04	4TH Q -FY04	TOTAL
SELECT DISBURSEMENTS						
LEVERAGED LOAN ACCOUNT	114,417,633	7,335,170	8,445,390	7,978,184	8,523,167	146,699,544
LEVERAGED RESERVE FUND	49,242,412	6,635,336	1,560,282	5,014,601	4,687,949	67,140,580
STATE MATCH	13,135,060			1,835,840		14,970,900
ADMINISTRATION - FEDERAL	1,380,578	71,180	87,596	104,155	107,039	1,750,548
TECHNICAL ASSISTANCE	761,571			79,991	98,884	940,446
STATE PROGRAM MANAGEMENT	172,944	100,400	26,136	25,531	(32,018)	292,993
OTHER AUTHORIZED ACTIVITIES 1452K	0				120,000	120,000
SOURCE WATER ASSESSMENT	953,498	11,563	86,506	30,623	51,310	1,133,500
TOTAL SELECT DISBURSEMENTS	180,063,696	14,153,649	10,205,910	15,068,925	13,556,331	233,048,511 (a)
% OF ACH DRAW TO DISBURSEMENTS	79.88% (c)					82.63% (b)

(a) Excludes other disbursements of \$5,000,000 for the Supplemental Leveraged Reserve Fund and \$1,171,219 for state administration

(b) Percentage excludes Leveraged Loan Account disbursements

(c) Correction will be made with EPA in FY05 to move two takedowns totaling \$120,000 to 2001 Other Authorized Activities 1452K and return \$60,000 to 1997

EXHIBIT 7

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
COMPLETED PROJECTS - FY 2004

EXHIBIT 7

COMMUNITIES SERVED	PROJECT NUMBER	ASSISTANCE AMOUNT	BINDING COMMIT DATE	CONSTRUCT START DATE	INITIATE OPERATION DATE	(a) INTEREST RATE ON LOAN	DATE LOAN MATURES
Baldwin City	2321	\$1,904,750.00	03/24/03	12/18/02	03/05/04	3.89%	02/01/25
Carbondale	2186	\$2,269,089.00	04/24/00	02/19/01	11/01/03	4.42%	02/01/22
Chanute	2022	\$1,750,000.00	04/18/01	10/17/01	05/11/04	3.76%	02/01/23
Douglas Co. RWD #4	2274	\$1,250,000.00	08/27/02	05/19/03	03/29/04	4.08%	08/01/24
Florence	2254	\$200,000.00	04/24/00	07/01/03	10/06/03	4.42%	08/01/21
Garden City	2316	\$3,000,000.00	04/02/02	02/24/03	10/29/03	4.15%	08/01/24
Garnett	2242	\$1,160,000.00	11/01/01	03/06/02	10/21/03	3.69%	08/01/23
Hiawatha	2066	\$1,374,044.00	08/26/02	07/21/03	10/21/03	3.73%	08/01/24
Leavenworth Co. CRWD #7	2225	\$1,652,957.00	02/07/02	11/08/02	12/09/03	3.76%	08/01/23
Leavenworth Water Depart.	2326	\$10,000,000.00	03/24/03	11/27/02	12/19/03	3.89%	02/01/25
Marysville	2294	\$350,000.00	03/12/02	02/02/03	10/31/03	3.79%	02/01/24
Osage City	2127	\$2,036,500.00	07/19/02	10/02/02	05/01/04	3.78%	02/01/24
Osawatomie	2128	\$902,250.00	07/25/01	10/09/02	01/16/04	3.86%	02/01/23
Pottawatomie RWD #3	2302	\$564,422.00	09/12/02	06/02/03	11/10/03	3.66%	08/01/24
Public WWSD #4	2303	\$700,000.00	03/11/02	11/03/02	09/01/03	4.14%	08/01/23
Sharon Springs	2306	\$642,481.00	12/10/01	01/20/03	08/22/03	3.69%	08/01/23
TOTAL		\$29,756,493.00					

(a) Includes .35% Service Fee

EXHIBIT 8

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
Cumulative Project Status
As of June 30, 2004

EXHIBIT 8a
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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Abilene	2001	\$1,400,000.00	\$1,400,000.00	\$0.00	Construction of a water treatment plant to remove nitrate and excess iron and manganese from the source water	6,468 / 7,700	no / yes	Dickinson	no
Alma	2002	\$481,206.39	\$481,206.39	\$0.00	Construction of approximately 1 mile of 8 inch pipe and a 200,000 gallon elevated storage tank	872 / 872	yes / yes	Wabaunsee	no
Assaria	2182	\$489,000.00	\$489,000.00	\$0.00	Construction of a new water supply well, 75,000 gallon elevated storage tank, approximately 5,650 linear feet of 6 inch pipe, and appurtenances	380 / 380	yes / yes	Saline	no
Baldwin City	2321	\$1,904,750.00	\$1,471,981.89	\$432,768.11	Construction of 2 elevated .75 MG storage tanks, 7,115 linear feet of 6, 8, and 12 inch water main, demolition of ground storage tank, and installation of telemetry for new tanks	3,503 / 9,044	yes / yes	Douglas	no
Baxter Springs	2009	\$2,900,000.00	\$2,900,000.00	\$0.00	Renovation and expansion of existing water treatment plant, adding one clarifying flocculator, one chlorine contact basin, renovating filters, chemical feed, electrical controls and a laboratory	4,351 / 4,351	yes / yes	Cherokee	no
Burlington	2231	\$4,511,250.00	\$1,833,186.46	\$2,678,063.54	Construction of a water treatment plant	2,765 / 5,640	yes / yes	Coffey	no
Butler County RWD #8	2018	\$816,871.25	\$816,871.25	\$0.00	Construction of a 200,000 gallon elevated storage tank and 7 miles of 6 and 10 inch water lines	928 / 928	yes / yes	Butler	yes
Carbondale	2186	\$2,269,089.00	\$1,343,056.18	\$926,032.82	Replacement of 34,040 feet of 4 and 8 inch water mains, installation of 45 fire hydrants and 139 gate valves, and a new water tower	1,526 / 4,666	yes / yes	Osage	no
Chanute 1	2022	\$1,750,000.00	\$1,750,000.00	\$0.00	Construction of a 1 MG elevated water storage tank, approximately 2,900 linear feet of 10 and 12 inch waterlines, plant upgrades and automation	9,082 / 11,714	no / no	Neosho	no
Chanute 2	2364	\$377,000.00	\$0.00	\$377,000.00	Replacement of a 3,400 foot section of 10 inch cast iron water line with PVC	9,217 / 11,714	no / no	Neosho	no
Chetopa	2188	\$1,000,000.00	\$39,300.00	\$960,700.00	Water treatment plant expansion and renovation including raw water intake, solids contact unit, basin modifications, chemical feeders, filter renovation, plant piping, and controls	1,257 / 1,257	yes / yes	Labette	no
Cimarron	2024	\$1,522,500.00	\$1,511,448.85	\$11,051.15	Replacement and upgrade of existing deteriorated and under-sized water lines with approximately 16,500 feet of new 6, 8 and 10 inch water lines	1,675 / 1,675	yes / yes	Gray	no
Cloud Co. RWD #1	2327	\$300,000.00	\$0.00	\$300,000.00	Construction of 2 new water supply wells and chlorination building, install telemetry controls, and rehabilitate two standpipes	450 450	yes / yes	Cloud	yes

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
Cumulative Project Status
As of June 30, 2004

EXHIBIT 8a
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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Coffeyville 1	2250	\$2,504,000.00	\$2,425,389.15	\$78,610.85	Upgrade of present water treatment plant including construction of a rapid mix unit, two automatic sludge blowdowns, holding basin, discharge pump structures, pump, process piping, chemical feed system, and appurtenances	12,031 / 16,755	no / no	Montgomery	no
Coffeyville 2	2026	\$418,390.61	\$418,390.61	\$0.00	Repair existing 190,000 gallon elevated water storage tank, install a recirculating pump and motor operated valve at the base of the tower, construction of 9,500 linear feet of 8 inch water line, and appurtenances	12,031 / 16,755	no / no	Montgomery	no
Coffeyville 3	2267	\$625,500.00	\$0.00	\$625,500.00	Replace approximately 6,200 linear feet of 8 and 12 inch water lines, and related appurtenances		/	Montgomery	no
Colwich	2204	\$3,576,878.83	\$3,576,878.83	\$0.00	Construction of water supply wells, transmission line, a distribution system, and an elevated storage tank	1,134 / 1,134	yes / yes	Sedgwick	no
Council Grove	2378	\$2,600,000.00	\$0.00	\$2,600,000.00	Construction of a clarification basin, rapid mix basin, and ozone disinfection system, installation of a raw water meter, high service pumps, and modifications to the chemical feed systems and filters, and appurtenances	2,328 3,418	yes / yes	Morris	no
Crawford County RWD #5	2032	\$579,651.35	\$579,651.35	\$0.00	Construction of a new water supply well and treatment plant and approximately 9,000 feet of 2, 2.25, and 4 inch water lines	1,500 / 1,658	yes / yes	Crawford	yes
Dodge City	2229,223 0	\$5,960,300.00	\$3,918,057.99	\$2,042,242.01	Upgrade the existing water system including the construction of a 1.5 MG elevated storage tank, approximately 700 feet of 12 inch water line, and 11,460 linear feet of 12 and 16 inch water lines.	22,023 / 22,023	no / no	Ford	no
Doniphan County RWD #5	2234	\$46,303.60	\$46,303.60	\$0.00	Replacement of approximately 61,000 linear feet of 1 to 4 inch in diameter water lines	1,320 / 1,487	yes / yes	Doniphan	yes
Douglas County RWD #4	2,274	\$857,696.30	\$857,696.30	\$0.00	Construction of 8 miles of 8 inch water line, booster pump and metering facility	1,663 / 1,663	yes / yes	Douglas	yes
Douglas County RWD #5	2249	\$1,556,629.00	\$1,163,629.90	\$392,999.10	Construction of approximately 124,650 linear feet of 4, 6, 8, and 10 inch water line, booster pump station, second connection with the City of Lawrence water system, and installation of a master meter with vault	1,580 / 1,580	yes / yes	Douglas	yes
Downs	2388	\$225,562.50	\$0.00	\$225,562.50	will improve nitrate removal in the water treatment plant by installing new resin cells, brine pumps, booster pumps, sand filter, nitrate analyzer, and all related appurtenances.	1,017 / 1,017	yes yes	Osborne	no

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
Cumulative Project Status
As of June 30, 2004

EXHIBIT 8a
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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Edgerton	2039	\$1,145,000.00	\$1,061,270.49	\$83,729.51	Construction of a 200,000 gallon elevated storage tank, booster pump station, and approximately 3 miles of 8 inch water line	1,424 / 1,424	yes / yes	Johnson	no
Ellsworth	2255	\$2,200,000.00	\$2,041,834.55	\$158,165.45	Upgrade of the existing water treatment plant including installation of draft aerator, and construction of a new solid contact basin	2,600 / 2,600	yes / yes	Ellsworth	no
Emporia	2041	\$4,739,010.72	\$4,739,010.72	\$0.00	Modification and upgrade of present water treatment facility including a new 5 MGD water softening treatment process, chemical feed system and operation center	24,462 / 31,933	no / no	Lyon	no
Eureka	2045	\$450,000.00	\$450,000.00	\$0.00	Construction of a 56 foot diameter solids contact basin and rapid mix with chemical feed system, repair and rehabilitation of the existing contact and rapid mix basin	2,974 / 5,441	yes / yes	Greenwood	no
Finney County RWD #1	2047	\$2,511,216.86	\$2,511,216.86	\$0.00	Construction of approximately 14 miles of water line and a new water supply well, purchasing an existing water supply well and standpipe to serve the existing 11 mobile home parks booster pump station, and a master meter	2,200 / 2,200	yes / yes	Finney	yes
Florence	2254	\$200,000.00	\$155,427.79	\$44,572.21	Installation of slow sand filters to eliminate turbidity failures and excessive operating costs associated with cartridge filtration units	678 / 678	yes / yes	Marion	no
Fort Scott 1	2189	\$3,150,000.00	\$0.00	\$3,150,000.00	Construction of a 750,000 gallon elevated water storage tank, 9,900 linear feet of 12 and 16 inch water line, and appurtenances	8,400 / 13,722	no / no	Bourbon	no
Fort Scott 2	2277	\$4,200,000.00	\$0.00	\$4,200,000.00	Installation of a ozone disinfection system, construction of two clearwells and a high service pump station, replacement of filter media, and all appurtenances	8,297 / 13,722	no / no	Bourbon	no
Garden City 1	2055, 2056,2057	\$5,678,099.58	\$5,678,099.58	\$0.00	Construction of 1 MG and 2 MG ground storage tanks, 7,000 feet of 20 inch water transmission connecting lines, chlorination facilities, pump stations, and standby generators	26,039 / 31,451	no / no	Finney	no
Garden City 2	2316	\$3,000,000.00	\$2,615,098.13	\$384,901.87	Construction of 3 water supply wells, a 5 MG water storage tank, and approximately 8,000 linear feet of 12 and 20 inch water line	26,039 / 31,451	no / no	Finney	no
Garnett	2242	\$1,230,000.00	\$1,151,466.77	\$78,533.23	Construction of a .5 MG elevated storage tank and rehabilitation of the existing .1 MG elevated storage tank	3,224 / 5,112	yes / yes	Anderson	no
Geary Co. RWD #4	2319	\$723,125.00	\$241,728.85	\$481,396.15	Construction of a 230 gpm filtration plant, sludge reclaim tank, and upgrade of 2 well pumps	450 / 450	yes / yes	Geary	yes

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
Cumulative Project Status
As of June 30, 2004

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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Goessel	2059	\$350,000.00	\$340,925.00	\$9,075.00	Construction of a 100,000 gallon elevated water storage tank, connecting water line, and appurtenances	506 / 506	yes / yes	Marion	no
Goodland	2061	\$2,500,000.00	\$2,467,135.51	\$32,864.49	Construction of a .5 MG elevated storage tank, three new water supply wells, and construction and replacement of 12.5 miles of water line	4,669 / 4,669	yes / yes	Sherman	no
Harper Co. RWD #2	2351	\$511,550.00	\$0.00	\$511,550.00	Installation of approximately 256,200 linear feet of 1.5, 2, and 2.5 inch PVC pipe and all appurtenances	287 / 287	yes yes	Harper	yes
Harvey County RWD #1	2193	\$539,676.88	\$539,676.88	\$0.00	Construction of a 75,000 gallon elevated storage tank and approximately 16 miles of 2, 3, 4, 6, and 8 inch water lines to provide looping for pressure equalization and connecting unserved areas	1,650 / 3,067	yes / yes	Harvey	yes
Herington	2357	\$622,211.56	\$0.00	\$622,211.56	Construction of chemical building and feed room, modification of flash mixing basin, and plant piping, rehabilitation of contact basins, and installation of turbidity monitoring and lab testing equipment	2,517 / 3,096	yes yes	Dickinson/ Morris	no
Hiawatha	2066	\$1,374,044.00	\$457,119.06	\$916,924.94	Construction of 2 water supply wells and water line improvements	3,578 / 4,834	yes / yes	Brown	no
Hoyt	2139	\$814,696.74	\$808,427.53	\$6,269.21	Construction of a 200,000 gallon elevated water storage tank and approximately 13,000 linear feet of 8 inch water line, replace fire hydrants, telemetry controls, and appurtenances	533 / 533	yes / yes	Jackson	no
Hutchinson	2280	\$2,508,271.00	\$1,297,671.67	\$1,210,599.33	Installation of water transmission mains and booster pump station	40,787 / 40,787	no / no	Reno	no
Ingalls	2356	\$203,347.00	\$101,595.47	\$101,751.53	Testing, drilling, and connection of a new water supply well and plugging the existing well			Gray	no
Iola	2281	\$9,000,000.00	\$5,664,384.36	\$3,335,615.64	Construction of a water treatment plant	6,171 / 7,743	no / yes	Allen	no
Jackson County RWD #1	2214	\$2,170,441.17	\$2,170,441.17	\$0.00	Construction and replacement of approximately 177,500 linear feet of 4, 6, 8, and 12 inch water lines, 200,000 gallon elevated water storage tank, two new pump stations with buildings, 2nd connection with the City of Topeka, installation of new telemetry, and appurtenances	1,300 / 4,371	yes / yes	Jackson	yes
Jewell County RWD #1	2080	\$550,300.00	\$0.00	\$550,300.00	Construction of a well, 150,000 gallon elevated water storage tank, chlorination facility, and water transmission line	959 / 1,224	yes / yes	Jewell and Smith	yes

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
Cumulative Project Status
As of June 30, 2004

EXHIBIT 8a
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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Johnson County Consolidated RWD #6	2081	\$1,239,437.00	\$1,239,437.00	\$0.00	Construction and replacement of approximately 41,000 feet of 1.5, 2, 4 and 6 inch water main with 8 and 12 inch lines	1,350 / 1,350	yes / yes	Johnson	yes
Johnson County RWD #7	2082, 2083	\$1,578,591.00	\$1,578,591.00	\$0.00	Construction of approximately 8.5 miles of 12 and 16 inch water main to connect unserved areas, and participation in upgrade and rehabilitation of Miami Co. RWD #2 (the source of water supply)	4,537 / 4,537	yes / yes	Johnson	yes
Johnson County RWD #7-2	2233	\$969,014.00	\$640,272.09	\$328,741.91	Installation of approximately 33,000 linear feet of 16 and 20 inch pipe lines and all valves, connections, and appurtenances	4,537 / 4,537	yes yes	Johnson	yes
Junction City	2084	\$780,000.00	\$744,382.19	\$35,617.81	Replacement of filter media, valves, operators, and controls, underdrains, piping, removal of existing surface wash system, installation of an air-assisted backwash system, and appurtenances	18,063 / 20,604	no / no	Geary	yes
Kansas City Board of Public Utilities 1	2263	\$8,808,750.00	\$2,280,506.12	\$6,528,243.88	Construction of a 25 MGD horizontal collector well, and installation of approximately 12,500 linear feet of 42 inch prestressed concrete cylinder pipe	164,464 / 181,727	no / no	Wyandotte	no
Kansas City Board of Public Utilities 2	2265	\$5,467,500.00	\$2,129,543.05	\$3,337,956.95	Construction of approximately 22,000 linear feet of 48" prestressed concrete cylinder pipe	164,464 / 181,727	no / no	Wyandotte	no
Lawrence 1	2285	\$7,000,000.00	\$6,166,121.54	\$833,878.46	Construction of filters, addition of transfer pumps, improvements to the chemical feed system, replacement of the existing washwater return pump, and improvements to the electrical, mechanical, instrumentation and controls at Clinton	79,979 / 124,456	no / no	Douglas	no
Lawrence 2	2087	\$5,620,015.00	\$5,369,088.67	\$250,926.33	Construction of water treatment plant lime residuals facility	79,979 / 124,456	no / no	Douglas	no
Leavenworth County Consolidated RWD #1	2092	\$2,964,360.53	\$2,964,360.53	\$0.00	Construction of approximately 9 miles of 10 and 12 inch water main, 500,000 gallon elevated water storage tank, booster pump station, and a master meter	2,605 / 2,605	yes / yes	Leavenworth	yes
Leavenworth County RWD #7	2225	\$1,652,957.00	\$1,652,957.00	\$0.00	Construction of 2 new water supply wells, booster pump station, and water transmission line	2,614 / 2,614	yes / yes	Leavenworth	yes
Leavenworth County RWD #9	2093	\$809,347.20	\$809,347.20	\$0.00	Construction of approximately 6.5 miles of 6, 8 and 10 inch water lines, 2 booster pump stations, chlorination facility, 20,000 and 60,000 gallon clearwells, upgrade of 7 existing well pumps	1,302 / 1,302	yes / yes	Leavenworth	yes
Leavenworth Waterworks Board	2326	\$10,000,000.00	\$1,722,442.02	\$8,277,557.98	Upgrade of water treatment plant 1 and 2, and the raw water intake and pumping station	39,471 / 54,601	no / no	Leavenworth	no

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
Cumulative Project Status
As of June 30, 2004

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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Liberal	2290	\$7,517,000.00	\$0.00	\$7,517,000.00	Construction of a well and well house with 24 inch transmission main, approximately 54,440 linear feet of 2, 6, 8, 10, 12, and 16 inch distribution line, upgrade booster pump station, and replacement of gate valves	19,562 / 19,562	no / no	Seward	no
Logan	2194	\$650,000.00	\$650,000.00	\$0.00	Construction of 3 new water wells with chlorination facilities, 66,000 gallon ground level storage tank, and approximately 9 miles of 6 and 10 inch water lines	568 / 568	yes / yes	Phillips	no
Long Island	2256	\$191,920.00	\$188,748.60	\$3,171.40	Development and construction of 2 water supply wells, chlorination facility, 20,000 gallon ground level storage tank, procurement of a standby generator, and appurtenances	165 / 165	yes / yes	Phillips	no
Lyon County RWD #1	2213	\$445,408.45	\$445,408.45	\$0.00	Construction of a 250,000 gallon elevated storage tank and approximately 800 linear feet of 8 inch connecting water main	825 / 1,317	yes / yes	Lyon	yes
Maize	2292	\$5,300,000.00	\$5,132,704.89	\$167,295.11	Construction of 2 water supply wells, .5MG water storage tank, and approximately 88,775 linear feet of water line	1,833 / 1,833	yes / yes	Sedgwick	no
Marion	2331	\$800,000.00	\$0.00	\$800,000.00	Construction of a disinfection contact basin, installation of chemical feed equipment, filter to water piping additions, filter monitors, clarifier covers, and filter rehabilitation	2,103 / 2,103	yes yes	Marion	no
Marion County RWD #1	2332	\$400,000.00	\$67,938.56	\$332,061.44	Construction of a 200,000 gallon water tower and associated connections	620 / 620	yes yes	Marion	yes
Marion County RWD #4	2105	\$1,844,780.82	\$1,844,780.82	\$0.00	Construction and replacement of approximately 67 miles of 1.5, 2, 3, 4, 6 and 8 inch water lines to connect unserved areas, construction of a 200,000 gallon elevated water storage tank, interconnection with the City of Goessel, and installation of master meter	1,398 / 2,300	yes / yes	Marion	yes
Marshall County RWD #3	2106	\$575,465.11	\$575,465.11	\$0.00	Construction of 2 new water supply wells with wellhouse, pumping facilities, chlorination facility, and approximately 7 miles of 6 inch water line	1,900 / 5,282	yes / yes	Marshall	yes
Marshall County RWD #3-2	2336	\$500,000.00	\$0.00	\$500,000.00	Construction of a 400,000 gallon elevated water storage tank and all related connections and appurtenances	1,900 / 5,282	yes / yes	Marshall	yes

STATE OF KANSAS
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Cumulative Project Status
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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Marysville	2294	\$301,746.58	\$301,746.58	\$0.00	Construction of approximately 8,500 linear feet of 6 and 8 inch water line, upgrade existing pumping station, purchase emergency power generator, and miscellaneous piping, valves, hydrants, and related appurtenances	3,104 / 3,104	yes / yes	Marshall	no
McLouth	2108	\$1,009,840.09	\$1,009,840.09	\$0.00	Construction of 3.5 miles of transmission main interconnecting to Jefferson Co. RWD #13, and construction of a 250,000 gallon elevated water storage tank	849 / 849	yes / yes	Jefferson	no
Medicine Lodge	2197	\$650,000.00	\$587,689.00	\$62,311.00	Construction of water supply well and control structure, installation of chlorination facility and SCADA system, upgrade pump station, replacement of well pump, valves, and meters, and provide a standby generator	2,146 / 2,206	yes / yes	Barber	no
Miami County RWD #2	2109	\$5,515,053.00	\$5,515,053.00	\$0.00	Water treatment plant upgrade and rehabilitation, and construction of 3.2 miles of 30 inch water transmission main	10,500 / 15,304	no / no	Miami	yes
New Strawn	2222	\$1,269,789.38	\$1,269,789.38	\$0.00	Wholesale connection to the City of Burlington for water supply, construction of a 100,000 gallon elevated water storage tank, distribution line improvements, and appurtenances	445 / 445	yes / yes	Coffey	no
Newton 1	2118	\$2,086,455.74	\$2,086,455.74	\$0.00	Water treatment plant improvements, installation of corrosion control treatment, and modifications to Mission Pump Station	18,116 / 19,798	no / no	Harvey	no
Newton 2	2297	\$1,400,000.00	\$1,231,921.69	\$168,078.31	Construction of approximately 23,100 linear feet of 4, 8, and 12 inch water line, demolition of existing water tower, installation of valves, and fire hydrants	18,116 / 19,798	no / no	Harvey	no
North Newton	2328	\$700,000.00	\$276,686.93	\$423,313.07	Installation of approximately 8,025 linear feet of 4, 6, 8, and 12 inch water lines, and all valves, connections, borings, and related appurtenances	1,548 / 1,548	yes / yes	Harvey	no
Olathe	2366	\$20,000,000.00	\$0.00	\$20,000,000.00	Addition of a flow splitter, solids contact clarifier equipment retrofitted to an existing basin, piping, membrane filtering system and building, construction of a pump station, additional backwash recovery pumps, ground storage tank, additional lagoon capacity, and related appurtenances	96,518 / 435,573	no / no	Johnson	no

STATE OF KANSAS
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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Osage City	2127	\$2,736,500.00	\$1,818,055.52	\$918,444.48	Addition of a fourth filter, installation of turbidity monitoring equipment, construction of a mixing basin, and approximately 39,435 linear feet of 6 and 8 inch distribution line	3,043 / 5,409	yes / yes	Osage	no
Osage County RWD #4	2298	\$250,000.00	\$141,026.03	\$108,973.97	Construction of a 75,000 gallon elevated water tower with controls, and 4 miles of 4 inch water line	486 / 486	yes / yes	Osage	yes
Osawatomie	2128	\$902,250.00	\$901,480.65	\$769.35	Replace existing basins, high service pumps, modifications to the chemical feed system and other appurtenances	4,568 / 8,408	yes / yes	Miami	no
Osborne	2129	\$276,504.76	\$276,504.76	\$0.00	Replacement and upgrade of under-sized and deteriorated water lines with approximately 2 miles of 6 and 8 inch water lines to alleviate red water, low flow and low pressure	1,812 / 1,812	yes / yes	Osborne	no
Overbrook	2300	\$160,000.00	\$131,111.88	\$28,888.12	Replacement of 4 miles of 6 inch water line, modification to the existing 50,000 gallon elevated storage tank, and all related appurtenances	947 / 947	yes / yes	Osage	no
Parsons 1	2136	\$9,200,000.00	\$9,124,347.33	\$75,652.67	Construction of a 6 MG per day water treatment plant featuring an ultra filtration membrane system	11,177 / 13,391	no / no	Labette	no
Parsons 2	2394	\$5,000,000.00	\$0.00	\$5,000,000.00	Replace membrane system, reconfigure existing ponds as presettling ponds, upgrade pump stations and SCADA system, improve ventilation of mechanical and chemical rooms, and reroute yard and process piping	11,384 / 13,391	no / no	Labette	no
Pleasanton	2348	\$650,000.00	\$0.00	\$650,000.00	Construction of a chlorine contact basin and pump station, rehabilitation of existing basins, filters, pumps, electrical controls, chemical feed systems, and appurtenances	1,392 / 2,990	yes / yes	Linn	no
Pottawatomie County RWD #3	2302	\$564,422.00	\$480,398.53	\$84,023.47	Construction of approximately 40,650 linear feet of 3, 4, and 6 inch water lines, a 14'x80' standpipe, modify an existing pump station, and related appurtenances	1,300 / 2,781	yes / yes	Pottawatomie	yes
Public Wholesale Water Supply District #4-1	2135	\$1,124,153.90	\$1,124,153.90	\$0.00	Water treatment plant upgrade and rehabilitation, and construction of 4 miles of 8 inch water transmission main to connect the City of Cherryvale	11,000 / 11,000	no / no	Labette and Montgomery	yes

STATE OF KANSAS
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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Public Wholesale Water Supply District #4-2	2303	\$530,710.26	\$530,710.26	\$0.00	Construction of a chlorine contact basin, re-chlorination facility, filter backwash water holding basin, a building to cover the solids contact basin, improvements to the filter building, and related appurtenances	9,290 / 9,290	no / yes	Labette and Montgomery	yes
Public Wholesale Water Supply District #17	2133	\$3,490,455.00	\$3,334,455.00	\$156,000.00	Construction of 5 new water supply wells, 16 miles of 10, 12, 15, and 18 inch water lines connecting the four member cities, booster pump stations, master meters, vaults, disinfection facilities, and related appurtenances	21,471 / 21,471	no / no	Harvey	yes
Rush Center	2200	\$67,736.42	\$67,736.42	\$0.00	Construction of 110 foot standpipe, piping and installation of 3 fire hydrants	177 / 177	yes / yes	Rush	no
Russell 1	2151	\$1,675,000.00	\$1,675,000.00	\$0.00	Construction of approximately 4.35 miles of 6, 8 and 12 inch water lines to replace under-sized and deteriorated sand-cast water lines to alleviate frequent line breaks and leaks and consumer complaints of substandard water quality	4,509 / 4,509	yes / yes	Russell	no
Russell 2	2362	\$6,200,000.00	\$0.00	\$6,200,000.00	Construction of a raw water transmission line, a membrane treatment plant, pipe to blend treated water, and all related appurtenances	4,567 / 4,567	yes / yes	Russell	no
Salina 1	2153	\$3,600,000.00	\$3,600,000.00	\$0.00	Rehabilitation and upgrade of water treatment plant including installation of air stripper and new chemical feed system	44,022 / 46,572	no / no	Saline	no
Salina 2	2259	\$5,000,000.00	\$5,000,000.00	\$0.00	Second phase of improvements to the water treatment plant, including secondary clarifiers, lab/maintenance building, new administrative offices, equipment monitoring, and appurtenances	44,022 / 46,572	no / no	Saline	no
Saline County RWD #4	2305	\$33,802.82	\$33,802.82	\$0.00	Construction of 2 wells, a chlorination building, and approximately 4,000 linear feet of 6 inch water line	768 / 768	yes / yes	Saline	yes
Severy	2156	\$143,624.00	\$143,624.00	\$0.00	Development of a water transmission line from Salt Creek to the existing city lake and the water treatment plant	402 / 402	yes / yes	Kingman	no
Sharon Springs	2306	\$642,481.00	\$499,972.79	\$142,508.21	Construction of a water supply well, a 1MG water storage tank, chlorination facility, approximately 22,200 linear feet of 10 inch water transmission main, and installation of telemetry controls	835 / 835	yes / yes	Wallace	no

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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Shawnee County RWD #1C	2236	\$3,000,000.00	\$2,635,417.82	\$364,582.18	Construction of a 750,000 gallon elevated water storage tank, 66,500 linear feet of 8 and 12 inch water lines, pump station facility, upgrade pump station, 2nd connection to the City of Topeka, installation of telemetry, and appurtenances	3,300 / 3,430	yes / yes	Shawnee	yes
Shawnee County RWD #3	2158	\$915,770.14	\$915,770.14	\$0.00	Construction of approximately 4 miles of 8 and 10 inch water lines and a 750,000 gallon water storage tank	3,500 / 3,500	yes / yes	Shawnee	yes
Spivey	2160	\$78,000.00	\$78,000.00	\$0.00	Construction of 7,600 linear feet of 4 inch water line to connect to Harper Co. RWD #5 and related appurtenances	99 / 99	yes / yes	Kingman	yes
Spring Hill	2367	\$2,406,625.00	\$913,568.28	\$1,493,056.72	Installation of approximately 33,000 linear feet of 16 and 20 inch pipe lines, expansion of the Miami RWD #2 treatment plant, and all related appurtenances	3,063 / 3,063	yes / yes	Johnson/ Miami	no
St. George	2308	\$200,000.00	\$0.00	\$200,000.00	Construction of 2 wells and a well house, approximately 10,000 linear feet of 6 inch transmission line, and appurtenances	440 / 440	yes / yes	Pottawatomie	no
Sterling	2211	\$663,203.00	\$488,613.68	\$174,589.32	Development and construction of 2 water supply wells, chlorination facility, approximately 6,600 linear feet of 6 and 8 inch water lines, procurement of a standby generator, and appurtenances	2,200 / 2,225	yes / yes	Rice	no
Stockton	2163	\$2,800,000.00	\$2,800,000.00	\$0.00	Construction of a new 1.5 MG per day water softening plant and approximately 2 miles of 6 and 8 inch water lines to replace deteriorated 4 inch and smaller water lines to alleviate frequent breakage and leaks	1,383 / 1,383	yes / yes	Rooks	no
Strong City	2237	\$346,700.00	\$141,680.61	\$205,019.39	Upgrade 3 water supply wells, water treatment plant, installation of a master meter, replacement of approximately 29,000 linear feet of water line, and appurtenances	608 / 885	yes / yes	Chase	no
Sylvan Grove	2164	\$160,901.75	\$160,901.75	\$0.00	Rehabilitation of 2 wells, pump houses, and chlorination system, installation of telemetric communication system, replacement of 6,000 linear feet of water line, and related appurtenances	277 / 277	yes / yes	Lincoln	no
Ulysses	2171	\$194,707.41	\$194,707.41	\$0.00	Construction of approximately 2,400 linear feet of 10 inch water line, and related appurtenances	6,217 / 6,217	no / yes	Grant	no

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Borrower Name	Project #	Loan Agreement Commitment	Total Loan Payments	Balance of Loan Commitment	Project Description	Municipal* Population/ Population Served	Small* System State/Fed	County	Financial Integrity Assurance Contract
Valley Center	2174	\$3,200,000.00	\$2,934,673.49	\$265,326.51	Construction of 12,000 feet of 8 and 12 inch raw water lines to City of Wichita, 13,000 feet of 16 inch finished water line from Wichita, 750,000 gallon elevated water storage tank, booster pump station, and pressure reducing valve	4,201 / 4,201	yes / yes	Sedgwick	no
Wichita	2227	\$7,220,000.00	\$7,220,000.00	\$0.00	Construction of approximately 43,400 feet of 42 and 48 inch water main in East Wichita	316,350 / 350,028	no / no	Sedgwick	no
Winfield 1	2181	\$2,330,985.70	\$2,330,985.70	\$0.00	Construction of approximately 19,500 feet of 12 inch water main and a 1 MG elevated water storage tank	12,090 / 15,614	no / no	Cowley	no
Winfield 2	2233	\$5,640,000.00	\$1,977,889.01	\$3,662,110.99	Water treatment plant improvements including an intake building, chemical feed and handling, sedimentation, disinfection system, filtration, pumping, storage, controls, and related appurtenances	12,158 / 15,682	no / no	Cowley	no
Woodson Co. RWD #1	2345	\$500,000.00	\$0.00	\$500,000.00	Construction of approximately 20 miles of 3, 4, 6 and 8 inch pipe, and all related connections, borings, and appurtenances to allow the district to obtain water from Yates Center.	1,507 / 1,597	yes / yes	Woodson	yes

* State Regulations define small systems as municipalities with a population of less than 5,000 without consideration of wholesale customers. Federal Regulations define small systems as systems that serve less than 10,000 people accounting for populations of other systems that purchase water wholesale.

STATE OF KANSAS
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EXHIBIT 8b

CHEYENNE	RAWLINS	DECATUR	NORTON	PHILLIPS ✓ ✓	SMITH	JEWELL ✓	REPUBLIC	WASHINGTON	MARSHALL ✓ ✓ ✓	NEMAHA	BROWN ✓	DONIPHAN
SHERMAN ✓	THOMAS	SHERIDAN	GRAHAM	ROOKS ✓	OSBORNE ✓ ✓	MITCHELL	CLOUD ✓	CLAY	RILEY	POTTAWATOMIE ✓ ✓ ✓	JACKSON ✓ ✓	ATCHISON
WALLACE ✓	LOGAN	GOVE	TREGO	ELLIS	RUSSELL ✓ ✓ ✓	LINCOLN ✓	OTTAWA	GEARY ✓ ✓	WABAUNSEE ✓	SHAWNEE	JEFFERSON ✓	LEAVENWORTH ✓ ✓ ✓
GREELEY	WICHITA	SCOTT	LANE	NESS	RUSH ✓	BARTON	ELLSWORTH ✓	DICKINSON ✓ ✓ ✓	MORRIS ✓	LYON	DOUGLAS ✓ ✓ ✓ ✓	JOHNSON ✓ ✓ ✓ ✓
HAMILTON	KEARNY	FINNEY ✓ ✓ ✓	HODGEMAN	PAWNEE	STAFFORD	RICE ✓	MCPHERSON	MARION ✓ ✓ ✓	CHASE ✓	COFFEY ✓ ✓	ANDERSON ✓	MIAMI ✓ ✓
STANTON	GRANT ✓	HASKELL	GRAY ✓	FORD ✓	EDWARDS	RENO ✓	HARVEY ✓ ✓ ✓ ✓	BUTLER	GREENWOOD ✓ ✓	WOODSON ✓	ALLEN ✓	BOURBON ✓ ✓
MORTON	STEVENS	SEWARD ✓	MEADE	CLARK	KIOWA	PRATT	SEDGWICK ✓ ✓ ✓ ✓	KINGMAN ✓	ELK	WILSON	NEOSHO ✓	CRAWFORD ✓
				COMANCHE	BARBER ✓	HARPER ✓	SUMNER	COWLEY ✓ ✓	CHAUTAUQUA	MONTGOMERY ✓ ✓ ✓ ✓	LABETTE ✓ ✓ ✓ ✓	CHEROKEE ✓

KPWSLF
Projects Funded Through FY 2004
114 Projects - \$258,995,533.40

EXHIBIT 9

**PUBLIC WATER SUPPLY LOAN FUND
PROJECT LOAN REPAYMENT AND INTEREST ACTIVITY**

**EXHIBIT 9
page 1**

BORROWER AND PROJECT NO.	FY 98-03 TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
ABILENE #2001						ABILENE #2001
Project Payments	1,400,000.00					1,400,000.00
Interest Accrued	0.00					0.00
Principal Outstanding	1,186,464.89					1,130,962.73
Fees Accrued	0.00					0.00
Principal Payments	213,535.11	27,477.68		28,024.48		269,037.27
Interest Payments	178,008.21	21,534.34		21,035.62		220,578.17
Fee Payments	17,163.32	2,076.31		2,028.23		21,267.86
ALMA #2002						ALMA #2002
Project Payments	475,791.83					475,791.83
Interest Accrued	4,957.90					4,957.90
Principal Outstanding	409,676.09					392,673.14
Fees Accrued	456.66					456.66
Principal Payments	71,530.30	8,414.18		8,588.77		88,533.25
Interest Payments	48,878.59	7,783.85		7,623.98		64,286.42
Fee Payments	4,501.98	716.93		702.21		5,921.12
ASSARIA #2182						ASSARIA #2182
Project Payments	489,000.00					489,000.00
Interest Accrued	0.00					0.00
Principal Outstanding	469,730.65					453,690.85
Fees Accrued	0.00					0.00
Principal Payments	19,269.35	7,982.64		8,057.16		35,309.15
Interest Payments	18,669.14	9,996.49		9,927.58		38,593.21
Fee Payments	1,519.60	813.67		808.06		3,141.33
BALDWIN CITY #2321						BALDWIN CITY #2321
Project Payments	0.00	908,958.27	451,596.12	111,427.50		1,471,981.89
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					1,471,981.89
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00			16,544.95		16,544.95
Fee Payments	0.00			1,635.80		1,635.80

**PUBLIC WATER SUPPLY LOAN FUND
PROJECT LOAN REPAYMENT AND INTEREST ACTIVITY**

**EXHIBIT 9
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BORROWER AND PROJECT NO.	FY 98-03 TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
BAXTER SPRINGS #2009						BAXTER SPRINGS #2009
Project Payments	2,832,201.29	21,084.00			4,904.99	2,858,190.28
Interest Accrued	38,292.09					38,292.09
Principal Outstanding	2,819,562.78					2,746,747.45
Fees Accrued	3,517.63					3,517.63
Principal Payments	54,448.23	49,253.44		49,550.88		153,252.55
Interest Payments	48,592.55	53,350.27		53,077.86		155,020.68
Fee Payments	4,463.88	4,900.95		4,875.92		14,240.75
BURLINGTON #2231						BURLINGTON #2231
Project Payments	0.00			772,766.35	1,060,420.11	1,833,186.46
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					1,833,186.46
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00			322.65		322.65
Fee Payments	0.00			31.90		31.90
BUTLER CO. RWD #8 #2018						BUTLER CO. RWD #8 #2018
Project Payments	816,871.25					816,871.25
Interest Accrued	0.00					0.00
Principal Outstanding	776,308.22					747,733.44
Fees Accrued	0.00					0.00
Principal Payments	40,563.03	14,140.33		14,434.45		69,137.81
Interest Payments	70,700.57	14,788.67		14,519.30		100,008.54
Fee Payments	6,499.58	1,358.54		1,333.79		9,191.91
CARBONDALE #2186						CARBONDALE #2186
Project Payments	952,888.19	313,714.25	48,914.94		27,538.80	1,343,056.18
Interest Accrued	0.00					0.00
Principal Outstanding	814,086.79					1,070,500.98
Fees Accrued	0.00					0.00
Principal Payments	138,801.40	69,825.38		63,928.42		272,555.20
Interest Payments	53,162.75	17,443.45		22,907.71		93,513.91
Fee Payments	4,209.71	1,381.27		1,813.97		7,404.95

PUBLIC WATER SUPPLY LOAN FUND
PROJECT LOAN REPAYMENT AND INTEREST ACTIVITY
FY 98-03

EXHIBIT 9
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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
CHANUTE #2022						CHANUTE #2022
Project Payments	1,548,983.18				184,794.71	1,733,777.89
Interest Accrued	14,840.67					14,840.67
Principal Outstanding	1,565,205.29					1,683,585.32
Fees Accrued	1,381.44					1,381.44
Principal Payments	0.00	33,304.02		33,110.66		66,414.68
Interest Payments	21,893.19	28,622.85		28,799.74		79,315.78
Fee Payments	2,037.93	2,664.36		2,680.83		7,383.12
CHETOPA #2188						CHETOPA #2188
Project Payments	0.00			11,500.00	27,800.00	39,300.00
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					39,300.00
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
CIMARRON #2024						CIMARRON #2024
Project Payments	1,511,448.85					1,511,448.85
Interest Accrued	0.00					0.00
Principal Outstanding	1,367,763.58					1,310,748.08
Fees Accrued	0.00					0.00
Principal Payments	143,685.27	28,222.70		28,792.80		200,700.77
Interest Payments	148,073.88	25,235.24		24,714.53		198,023.65
Fee Payments	14,044.94	2,393.59		2,344.20		18,782.73
COFFEYVILLE 1 #2250						COFFEYVILLE 1 #2250
Project Payments	999,936.19	846,686.59		570,954.16		2,417,576.94
Interest Accrued	7,207.30					7,207.30
Principal Outstanding	1,007,748.40					2,295,840.90
Fees Accrued	604.91					604.91
Principal Payments	0.00	72,985.42		56,562.83		129,548.25
Interest Payments	0.00	21,011.55		36,162.48		57,174.03
Fee Payments	0.00	1,763.56		3,035.22		4,798.78

**PUBLIC WATER SUPPLY LOAN FUND
PROJECT LOAN REPAYMENT AND INTEREST ACTIVITY
FY 98-03**

**EXHIBIT 9
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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
COFFEYVILLE 2 #2026						COFFEYVILLE 2 #2026
Project Payments	405,756.35		7,565.00	(197.12)		413,124.23
Interest Accrued	4,832.66					4,832.66
Principal Outstanding	411,022.73					398,564.82
Fees Accrued	433.72					433.72
Principal Payments	0.00	9,843.58		9,982.21		19,825.79
Interest Payments	0.00	8,014.94		7,887.73		15,902.67
Fee Payments	0.00	719.29		707.87		1,427.16
COLWICH #2204						COLWICH #2204
Project Payments	3,541,990.04					3,541,990.04
Interest Accrued	32,285.15					32,285.15
Principal Outstanding	3,455,928.82					3,339,863.83
Fees Accrued	2,603.64					2,603.64
Principal Payments	120,950.01	57,359.95		58,705.04		237,015.00
Interest Payments	215,098.87	74,993.66		73,748.94		363,841.47
Fee Payments	17,346.69	6,047.88		5,947.51		29,342.08
CRAWFORD CO. RWD #5 #2032						CRAWFORD CO. RWD #5 #2032
Project Payments	575,226.55					575,226.55
Interest Accrued	4,060.40					4,060.40
Principal Outstanding	516,211.43					497,375.89
Fees Accrued	364.40					364.40
Principal Payments	63,439.92	9,318.76		9,516.78		82,275.46
Interest Payments	20,434.79	10,066.12		9,884.41		40,385.32
Fee Payments	1,833.87	903.37		887.06		3,624.30
DODGE CITY #2229, 2230						DODGE CITY #2229, 2230
Project Payments	1,476,231.19	235,103.27	1,643,706.42	514,578.11	48,439.00	3,918,057.99
Interest Accrued	0.00					0.00
Principal Outstanding	1,476,231.19					3,545,284.21
Fees Accrued	0.00					0.00
Principal Payments	0.00	196,567.82		176,205.96		372,773.78
Interest Payments	6,180.66	23,969.02		42,654.01		72,803.69
Fee Payments	554.68	2,151.06		3,827.93		6,533.67

PUBLIC WATER SUPPLY LOAN FUND
PROJECT LOAN REPAYMENT AND INTEREST ACTIVITY
FY 98-03

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
DONIPHAN CO. RWD #5 #2234						DONIPHAN CO. RWD #5 #2234
Project Payments	46,303.60					46,303.60
Interest Accrued	0.00					0.00
Principal Outstanding	44,481.21					42,981.27
Fees Accrued	0.00					0.00
Principal Payments	1,822.39	741.35		758.59		3,322.33
Interest Payments	2,672.70	956.35		940.41		4,569.46
Fee Payments	217.54	77.84		76.54		371.92
DOUGLAS CO. RWD #4 #2274						DOUGLAS CO. RWD #4 #2274
Project Payments	404,374.54	69,308.75	143,520.90	(64,270.42)	304,762.53	857,696.30
Interest Accrued	0.00					0.00
Principal Outstanding	404,374.54					857,696.30
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00	1,591.68		9,361.40		10,953.08
Fee Payments	0.00	149.36		878.42		1,027.78
DOUGLAS CO. RWD #5 #2249						DOUGLAS CO. RWD #5 #2249
Project Payments	1,155,349.37					1,155,349.37
Interest Accrued	7,617.34					7,617.34
Principal Outstanding	1,129,868.31					1,060,966.78
Fees Accrued	663.19					663.19
Principal Payments	33,761.59	34,078.46		34,823.07		102,663.12
Interest Payments	43,312.54	22,710.35		22,025.38		88,048.27
Fee Payments	3,770.99	1,977.27		1,917.63		7,665.89
EDGERTON #2039						EDGERTON #2039
Project Payments	1,033,135.94					1,033,135.94
Interest Accrued	25,697.16					25,697.16
Principal Outstanding	1,017,222.84					973,878.68
Fees Accrued	2,437.39					2,437.39
Principal Payments	44,047.65	21,455.38		21,888.78		87,391.81
Interest Payments	36,497.13	18,767.76		18,371.91		73,636.80
Fee Payments	3,461.78	1,780.14		1,742.59		6,984.51

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
ELLSWORTH #2255						ELLSWORTH #2255
Project Payments	1,959,638.55	46,056.50	3,312.50		32,827.00	2,041,834.55
Interest Accrued	0.00					0.00
Principal Outstanding	1,959,638.55					1,959,791.26
Fees Accrued	0.00					0.00
Principal Payments	0.00	41,926.66		40,116.63		82,043.29
Interest Payments	27,086.36	37,834.05		39,499.11		104,419.52
Fee Payments	2,358.25	3,294.00		3,438.97		9,091.22
EMPORIA #2041						EMPORIA #2041
Project Payments	4,739,010.72					4,739,010.72
Interest Accrued	0.00					0.00
Principal Outstanding	4,182,044.38					4,014,141.11
Fees Accrued	0.00					0.00
Principal Payments	556,966.34	83,106.03		84,797.24		724,869.61
Interest Payments	506,630.98	77,786.03		76,240.25		660,657.26
Fee Payments	47,666.87	7,318.57		7,173.14		62,158.58
EUREKA #2045						EUREKA #2045
Project Payments	450,000.00					450,000.00
Interest Accrued	0.00					0.00
Principal Outstanding	410,151.03					393,680.26
Fees Accrued	0.00					0.00
Principal Payments	39,848.97	8,150.62		8,320.15		56,319.74
Interest Payments	40,577.87	7,813.38		7,658.11		56,049.36
Fee Payments	3,727.64	717.76		703.50		5,148.90
FINNEY CO. RWD #1 #2047						FINNEY CO. RWD #1 #2047
Project Payments	2,454,971.06					2,454,971.06
Interest Accrued	51,432.61					51,432.61
Principal Outstanding	2,280,397.36					2,181,259.73
Fees Accrued	4,813.19					4,813.19
Principal Payments	230,819.50	49,067.10		50,070.53		329,957.13
Interest Payments	317,521.18	42,643.43		41,725.88		401,890.49
Fee Payments	29,714.54	3,990.70		3,904.82		37,610.06

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
FLORENCE #2254						FLORENCE #2254
Project Payments	46,800.00		108,627.79			155,427.79
Interest Accrued	0.00					0.00
Principal Outstanding	46,800.00					149,262.80
Fees Accrued	0.00					0.00
Principal Payments	0.00			6,164.99		6,164.99
Interest Payments	0.00	298.79		1,527.75		1,826.54
Fee Payments	0.00	23.66		120.98		144.64
GARDEN CITY 1 #2055, 2056, 2057						GARDEN CITY 1 #2055, 2056, 2057
Project Payments	5,566,737.50					5,566,737.50
Interest Accrued	102,186.51					102,186.51
Principal Outstanding	4,892,198.75					4,674,003.37
Fees Accrued	9,175.57					9,175.57
Principal Payments	785,900.83	107,940.03		110,255.35		1,004,096.21
Interest Payments	894,064.01	96,376.32		94,249.90		1,084,690.23
Fee Payments	79,421.92	8,561.35		8,372.45		96,355.72
GARDEN CITY 2 #2316						GARDEN CITY 2 #2316
Project Payments	1,440,318.88	689,688.01	138,285.83	287,882.72		2,556,175.44
Interest Accrued	0.00	13,845.75		40,107.56		53,953.31
Principal Outstanding	1,440,318.88					2,615,098.13
Fees Accrued	0.00	1,275.26		3,694.12		4,969.38
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
GARNETT #2242						GARNETT #2242
Project Payments	803,039.00		121,099.73	199,865.47		1,124,004.20
Interest Accrued	10,891.77	14,191.62				25,083.39
Principal Outstanding	814,963.86					1,124,315.01
Fees Accrued	1,033.09	1,346.09				2,379.18
Principal Payments	0.00			27,151.76		27,151.76
Interest Payments	0.00			16,412.89		16,412.89
Fee Payments	0.00			1,556.78		1,556.78

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GEARY CO. RWD #4 #2319						GEARY CO. RWD #4 #2319
Project Payments	0.00	21,262.00	59,654.73		160,812.12	241,728.85
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					241,728.85
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00			518.45		518.45
Fee Payments	0.00			56.01		56.01
GOESSEL #2059						GOESSEL #2059
Project Payments	289,348.00	51,577.00				340,925.00
Interest Accrued	0.00					0.00
Principal Outstanding	289,348.00					327,550.47
Fees Accrued	0.00					0.00
Principal Payments	0.00	7,188.83		6,185.70		13,374.53
Interest Payments	2,911.15	5,402.94		6,323.46		14,637.55
Fee Payments	261.25	484.88		567.49		1,313.62
GOODLAND #2061						GOODLAND #2061
Project Payments	2,428,547.36		38,588.15			2,467,135.51
Interest Accrued	0.00					0.00
Principal Outstanding	2,150,721.66					2,092,381.43
Fees Accrued	0.00					0.00
Principal Payments	277,825.70	48,129.89		48,798.49		374,754.08
Interest Payments	290,208.08	40,218.50		39,607.11		370,033.69
Fee Payments	27,158.50	3,763.76		3,706.55		34,628.81
HARVEY CO. RWD #1 #2193						HARVEY CO. RWD #1 #2193
Project Payments	539,676.88					539,676.88
Interest Accrued	0.00					0.00
Principal Outstanding	482,486.93					462,196.55
Fees Accrued	0.00					0.00
Principal Payments	57,189.95	10,044.74		10,245.64		77,480.33
Interest Payments	61,227.19	8,805.39		8,622.07		78,654.65
Fee Payments	5,871.10	844.35		826.77		7,542.22

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BORROWER AND PROJECT NO.	FY 98-03 TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
HIAWATHA #2066						HIAWATHA #2066
Project Payments	0.00	149,438.12	307,680.94			457,119.06
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					457,119.06
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00			4,938.55		4,938.55
Fee Payments	0.00			463.41		463.41
HOYT #2194						HOYT #2194
Project Payments	808,427.53					808,427.53
Interest Accrued	0.00					0.00
Principal Outstanding	781,598.68					754,173.67
Fees Accrued	0.00					0.00
Principal Payments	26,828.85	13,561.63		13,863.38		54,253.86
Interest Payments	45,775.29	16,022.77		15,744.76		77,542.82
Fee Payments	3,907.65	1,367.80		1,344.06		6,619.51
HUTCHINSON #2280						HUTCHINSON #2280
Project Payments	0.00		370,946.75	511,400.22	415,324.70	1,297,671.67
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					1,297,671.67
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00			2,348.68		2,348.68
Fee Payments	0.00			214.64		214.64
INGALLS #2356						INGALLS #2356
Project Payments	0.00				101,595.47	101,595.47
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					101,595.47
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
IOLA #2281						IOLA #2281
Project Payments	0.00	1,307,970.64	1,122,626.18	1,557,835.38	1,675,952.16	5,664,384.36
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					5,664,384.36
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00			24,427.58		24,427.58
Fee Payments	0.00			2,335.98		2,335.98
JACKSON CO. RWD #1 #2214						JACKSON CO. RWD #1 #2214
Project Payments	2,051,584.54	146,101.66		(27,245.03)		2,170,441.17
Interest Accrued	0.00					0.00
Principal Outstanding	2,051,584.54					1,650,777.72
Fees Accrued	0.00					0.00
Principal Payments	0.00		500,000.00	19,663.45		519,663.45
Interest Payments	29,921.35	40,255.56		40,568.09		110,745.00
Fee Payments	2,560.49	3,444.86		3,471.61		9,476.96
JOHNSON CO. CONS. RWD #6 #2081						JOHNSON CO. CONS. RWD #6 #2081
Project Payments	1,239,437.00					1,239,437.00
Interest Accrued	0.00					0.00
Principal Outstanding	1,062,440.56					1,016,252.21
Fees Accrued	0.00					0.00
Principal Payments	176,996.44	22,860.43		23,327.92		223,184.79
Interest Payments	135,924.69	19,867.64		19,440.15		175,232.48
Fee Payments	12,720.22	1,859.28		1,819.28		16,398.78
JOHNSON CO. RWD #7 #2082, 2083						JOHNSON CO. RWD #7 #2082, 2083
Project Payments	1,533,843.61					1,533,843.61
Interest Accrued	40,973.51					40,973.51
Principal Outstanding	1,407,840.53					1,349,410.36
Fees Accrued	3,773.88					3,773.88
Principal Payments	170,750.47	28,915.09		29,515.08		229,180.64
Interest Payments	163,938.21	26,748.97		26,199.58		216,886.76
Fee Payments	15,099.56	2,463.72		2,413.12		19,976.40

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
JOHNSON CO. RWD #7.2 #2333						JOHNSON CO. RWD #7.2 #2333
Project Payments	0.00			601,550.39	38,721.70	640,272.09
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					640,272.09
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
JUNCTION CITY #2084						JUNCTION CITY #2084
Project Payments	741,743.99	2,050.00				743,793.99
Interest Accrued	541.94					541.94
Principal Outstanding	691,198.47					663,042.12
Fees Accrued	46.26					46.26
Principal Payments	51,133.72	15,628.54		14,577.81		81,340.07
Interest Payments	7,525.00	12,919.16		13,887.24		34,331.40
Fee Payments	642.38	1,102.85		1,185.50		2,930.73
KC BOARD OF PUBLIC UTILITIES 1 #2263						KC BOARD OF PUBLIC UTILITIES 1 #2263
Project Payments	311,103.18		928,187.98	1,041,214.96		2,280,506.12
Interest Accrued	0.00					0.00
Principal Outstanding	311,103.18					2,280,506.12
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00	1,599.76		14,165.66		15,765.42
Fee Payments	0.00	157.28		1,392.69		1,549.97
KC BOARD OF PUBLIC UTILITIES 2 #2265						KC BOARD OF PUBLIC UTILITIES 2 #2265
Project Payments	0.00				2,129,543.05	2,129,543.05
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					2,129,543.05
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
LAWRENCE 1 #2285						LAWRENCE 1 #2285
Project Payments	6,076,944.82	17,978.24	20,209.72	34,374.50	16,614.26	6,166,121.54
Interest Accrued	0.00					0.00
Principal Outstanding	6,076,944.82					5,898,216.20
Fees Accrued	0.00					0.00
Principal Payments	0.00	132,959.21		134,946.13		267,905.34
Interest Payments	232,763.45	117,052.93		115,231.20		465,047.58
Fee Payments	21,105.50	10,613.61		10,448.42		42,167.53
LAWRENCE 2 #2087						LAWRENCE 2 #2087
Project Payments	3,110,829.30	815,611.62	512,858.40	816,724.49	113,064.86	5,369,088.67
Interest Accrued	0.00					0.00
Principal Outstanding	3,110,829.30					5,244,262.43
Fees Accrued	0.00					0.00
Principal Payments	0.00			124,826.24		124,826.24
Interest Payments	9,101.50	30,449.71		76,118.66		115,669.87
Fee Payments	840.51	2,811.98		7,030.02		10,682.51
LEAVENWORTH CO. CONS. RWD #1 #2092						LEAVENWORTH CO. CONS. RWD #1 #2092
Project Payments	2,893,984.58					2,893,984.58
Interest Accrued	64,353.58					64,353.58
Principal Outstanding	2,611,944.13					2,498,392.90
Fees Accrued	6,022.37					6,022.37
Principal Payments	352,416.40	56,200.96		57,350.27		465,967.63
Interest Payments	290,996.71	48,843.36		47,792.40		387,632.47
Fee Payments	27,232.33	4,570.90		4,472.55		36,275.78
LEAVENWORTH CO. RWD #7 #2225						LEAVENWORTH CO. RWD #7 #2225
Project Payments	689,595.31	420,245.78	543,115.91			1,652,957.00
Interest Accrued	0.00					0.00
Principal Outstanding	689,595.31					1,618,267.83
Fees Accrued	0.00					0.00
Principal Payments	0.00			34,689.17		34,689.17
Interest Payments	1,820.93	10,348.91		24,078.88		36,248.72
Fee Payments	169.51	963.33		2,241.39		3,374.23

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LEAVENWORTH CO. RWD #9 #2093						LEAVENWORTH CO. RWD #9 #2093
Project Payments	806,229.10					806,229.10
Interest Accrued	2,867.24					2,867.24
Principal Outstanding	569,287.63					0.00
Fees Accrued	250.86					250.86
Principal Payments	240,059.57	10,174.80	200,000.00	359,112.83		809,347.20
Interest Payments	37,809.10	11,385.75		11,094.27		60,289.12
Fee Payments	3,308.31	996.25		971.25		5,275.81
LEAVENWORTH WATERWORKS BD. #2326						LEAVENWORTH WATERWORKS BD. #2326
Project Payments	1,747,442.02	(25,000.00)				1,722,442.02
Interest Accrued	0.00					0.00
Principal Outstanding	1,747,442.02					1,722,442.02
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00	7,732.44		30,533.93		38,266.37
Fee Payments	0.00	764.51		3,018.89		3,783.40
LOGAN #2194						LOGAN #2194
Project Payments	650,000.00					650,000.00
Interest Accrued	0.00					0.00
Principal Outstanding	564,731.86					539,606.48
Fees Accrued	0.00					0.00
Principal Payments	85,268.14	12,437.08		12,688.30		110,393.52
Interest Payments	33,240.20	10,419.30		10,189.84		53,849.34
Fee Payments	3,152.86	988.28		966.52		5,107.66
LONG ISLAND #2256						LONG ISLAND #2256
Project Payments	166,653.41	21,014.60				187,668.01
Interest Accrued	989.46					989.46
Principal Outstanding	167,734.00					181,694.37
Fees Accrued	91.13					91.13
Principal Payments	0.00	3,783.86		3,270.37		7,054.23
Interest Payments	271.22	3,044.15		3,514.33		6,829.70
Fee Payments	24.98	280.38		323.69		629.05

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LYON CO. RWD #1 #2213						LYON CO. RWD #1 #2213
Project Payments	445,408.45					445,408.45
Interest Accrued	0.00					0.00
Principal Outstanding	293,205.87					0.00
Fees Accrued	0.00					0.00
Principal Payments	152,202.58	8,030.84	150,000.00	135,175.03		445,408.45
Interest Payments	26,831.24	8,437.33		5,704.89		40,973.46
Fee Payments	2,163.80	680.43		460.10		3,304.33
MAIZE #2292						MAIZE #2292
Project Payments	4,905,449.71			750.00		4,906,199.71
Interest Accrued	113,318.23	93,756.37				207,074.60
Principal Outstanding	5,029,401.00					5,129,291.07
Fees Accrued	10,633.06	8,797.52				19,430.58
Principal Payments	0.00			3,413.82		3,413.82
Interest Payments	0.00			95,724.95		95,724.95
Fee Payments	0.00			8,982.23		8,982.23
MARION CO. RWD #1 #2332						MARION CO. RWD #1 #2332
Project Payments	0.00				67,938.56	67,938.56
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					67,938.56
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
MARION CO. RWD #4 #2105						MARION CO. RWD #4 #2105
Project Payments	1,804,766.31					1,804,766.31
Interest Accrued	36,590.30					36,590.30
Principal Outstanding	1,617,051.31					1,546,751.87
Fees Accrued	3,424.21					3,424.21
Principal Payments	227,729.51	34,793.95		35,505.49		298,028.95
Interest Payments	228,477.43	30,238.86		29,588.21		288,304.50
Fee Payments	21,381.56	2,829.84		2,768.95		26,980.35

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
MARSHALL CO. RWD #3 #2106						MARSHALL CO. RWD #3 #2106
Project Payments	572,404.89					572,404.89
Interest Accrued	2,813.99					2,813.99
Principal Outstanding	524,788.70					385,060.72
Fees Accrued	246.23					246.23
Principal Payments	50,676.41	9,757.87		9,970.11	120,000.00	190,404.39
Interest Payments	37,015.33	10,495.77		10,300.62		57,811.72
Fee Payments	3,238.84	918.39		901.30		5,058.53
MARYSVILLE #2294						MARYSVILLE #2294
Project Payments	88,214.20	158,290.16	55,362.85	(120.63)		301,746.58
Interest Accrued	0.00					0.00
Principal Outstanding	88,214.20					293,897.76
Fees Accrued	0.00					0.00
Principal Payments	0.00			7,848.82		7,848.82
Interest Payments	0.00	1,826.10		4,671.83		6,497.93
Fee Payments	0.00	168.65		431.45		600.10
McLOUTH #2108						McLOUTH #2108
Project Payments	1,009,840.09					1,009,840.09
Interest Accrued	0.00					0.00
Principal Outstanding	830,268.97					793,299.24
Fees Accrued	0.00					0.00
Principal Payments	179,571.12	18,287.81		18,681.92		216,540.85
Interest Payments	161,815.63	16,439.33		16,077.23		194,332.19
Fee Payments	14,301.89	1,452.97		1,420.96		17,175.82
MEDICINE LODGE #2197						MEDICINE LODGE #2197
Project Payments	576,921.58		10,767.42			587,689.00
Interest Accrued	0.00					0.00
Principal Outstanding	576,921.58					561,217.78
Fees Accrued	0.00					0.00
Principal Payments	0.00	14,041.45		12,429.77		26,471.22
Interest Payments	1,027.53	8,953.92		10,425.98		20,407.43
Fee Payments	97.46	849.29		988.91		1,935.66

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
MIAMI CO. RWD #2 #2109						MIAMI CO. RWD #2 #2109
Project Payments	5,515,053.00					5,515,053.00
Interest Accrued	0.00					0.00
Principal Outstanding	4,936,260.62					4,729,659.87
Fees Accrued	0.00					0.00
Principal Payments	578,792.38	102,254.82		104,345.93		785,393.13
Interest Payments	729,366.36	92,308.07		90,395.91		912,070.34
Fee Payments	68,256.23	8,638.46		8,459.51		85,354.20
NEW STRAWN #2222						NEW STRAWN #2222
Project Payments	1,244,168.17		9,005.31	(173.03)		1,253,000.45
Interest Accrued	15,488.90					15,488.90
Principal Outstanding	1,233,972.21					1,195,458.79
Fees Accrued	1,300.03					1,300.03
Principal Payments	26,984.89	23,553.68		23,792.02		74,330.59
Interest Payments	36,594.92	25,512.40		25,292.52		87,399.84
Fee Payments	3,071.53	2,141.33		2,122.87		7,335.73
NEWTON 1 #2118						NEWTON 1 #2118
Project Payments	2,086,455.74					2,086,455.74
Interest Accrued	0.00					0.00
Principal Outstanding	1,772,570.86					1,692,560.15
Fees Accrued	0.00					0.00
Principal Payments	313,884.88	39,592.60		40,418.11		393,895.59
Interest Payments	274,609.42	33,856.10		33,099.88		341,565.40
Fee Payments	25,160.56	3,102.00		3,032.71		31,295.27
NEWTON 2 #2297						NEWTON 2 #2297
Project Payments	766,366.92	137,866.97	270,567.12		57,120.68	1,231,921.69
Interest Accrued	0.00					0.00
Principal Outstanding	766,366.92					1,201,631.29
Fees Accrued	0.00					0.00
Principal Payments	0.00			30,290.40		30,290.40
Interest Payments	143.40	11,475.11		19,698.85		31,317.36
Fee Payments	13.24	1,059.70		1,819.16		2,892.10

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
NORTH NEWTON #2328						NORTH NEWTON #2328
Project Payments	0.00				276,686.93	276,686.93
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					276,686.93
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
OSAGE CITY #2127						OSAGE CITY #2127
Project Payments	375,694.91	431,861.37	332,939.75	619,947.05	30,322.56	1,790,765.64
Interest Accrued	1,607.52	5,371.33		17,998.33		24,977.18
Principal Outstanding	377,451.28					1,818,055.52
Fees Accrued	148.85	497.34		1,666.51		2,312.70
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
OSAGE CO. RWD #4 #2127						OSAGE CO. RWD #4 #2127
Project Payments	0.00				141,026.03	141,026.03
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					141,026.03
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
OSAWATOMIE #2128						OSAWATOMIE #2128
Project Payments	285,262.76	1,951.49	472,790.92	141,475.48		901,480.65
Interest Accrued	0.00					0.00
Principal Outstanding	285,262.76					847,430.82
Fees Accrued	0.00					0.00
Principal Payments	0.00	29,326.07		24,723.76		54,049.83
Interest Payments	1,551.26	3,912.01		8,131.70		13,594.97
Fee Payments	140.66	354.72		737.34		1,232.72

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
OSBORNE #2129						OSBORNE #2129
Project Payments	276,504.76					276,504.76
Interest Accrued	0.00					0.00
Principal Outstanding	257,809.98					247,878.16
Fees Accrued	0.00					0.00
Principal Payments	18,694.78	4,915.65		5,016.17		28,626.60
Interest Payments	26,183.58	4,821.05		4,729.12		35,733.75
Fee Payments	2,450.32	451.16		442.57		3,344.05
OVERBROOK #2300						OVERBROOK #2300
Project Payments	120,453.83	9,151.00		1,507.05		131,111.88
Interest Accrued	0.00					0.00
Principal Outstanding	120,453.83					127,849.73
Fees Accrued	0.00					0.00
Principal Payments	0.00			3,262.15		3,262.15
Interest Payments	86.99	1,804.49		2,439.31		4,330.79
Fee Payments	8.01	166.21		224.67		398.89
PARSONS #2136						PARSONS #2136
Project Payments	9,124,347.33					9,124,347.33
Interest Accrued	0.00					0.00
Principal Outstanding	7,789,205.49					7,425,804.47
Fees Accrued	0.00					0.00
Principal Payments	1,335,141.84	179,870.33		183,530.69		1,698,542.86
Interest Payments	645,633.02	144,879.22		141,533.63		932,045.87
Fee Payments	60,745.05	13,631.11		13,316.34		87,692.50
POTTAWATOMIE CO. RWD #3 #2302						POTTAWATOMIE CO. RWD #3 #2302
Project Payments	0.00	145,315.74	312,154.33		22,928.46	480,398.53
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					480,398.53
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00			5,100.47		5,100.47
Fee Payments	0.00			487.75		487.75

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
PWWSD #4 #2135						PWWSD #4 #2135
Project Payments	1,118,666.19					1,118,666.19
Interest Accrued	5,018.10					5,018.10
Principal Outstanding	958,362.89					914,912.23
Fees Accrued	469.61					469.61
Principal Payments	165,791.01	21,505.44		21,945.22		209,241.67
Interest Payments	155,163.01	17,921.39		17,519.23		190,603.63
Fee Payments	14,520.59	1,677.13		1,639.51		17,837.23
PWWSD #4-2 #2303						PWWSD #4-2 #2303
Project Payments	222,324.44	210,139.74	62,358.72	38,752.48	(2,865.12)	530,710.26
Interest Accrued	0.00					0.00
Principal Outstanding	222,324.44					530,710.26
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00	1,660.36		8,725.11		10,385.47
Fee Payments	0.00	153.33		805.74		959.07
PWWSD #17 #2133						PWWSD #17 #2133
Project Payments	3,168,090.52					3,168,090.52
Interest Accrued	151,951.73					151,951.73
Principal Outstanding	3,159,884.66					3,029,603.86
Fees Accrued	14,412.75					14,412.75
Principal Payments	174,570.34	64,489.06		65,791.74		304,851.14
Interest Payments	181,203.93	58,299.87		57,110.05		296,613.85
Fee Payments	17,187.36	5,529.80		5,416.94		28,134.10
RUSH CENTER #2200						RUSH CENTER #2200
Project Payments	67,736.42					67,736.42
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					0.00
Fees Accrued	0.00					0.00
Principal Payments	67,736.42					67,736.42
Interest Payments	5,480.47					5,480.47
Fee Payments	433.96					433.96

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
RUSSELL #2151						RUSSELL #2151
Project Payments	1,671,341.22					1,671,341.22
Interest Accrued	3,338.64					3,338.64
Principal Outstanding	1,424,920.81					1,364,997.58
Fees Accrued	320.14					320.14
Principal Payments	250,079.19	29,664.97		30,258.26		310,002.42
Interest Payments	112,619.54	26,004.80		25,463.42		164,087.76
Fee Payments	10,799.12	2,493.61		2,441.70		15,734.43
SALINA 1 #2153						SALINA 1 #2153
Project Payments	3,498,359.92					3,498,359.92
Interest Accrued	93,347.77					93,347.77
Principal Outstanding	3,232,190.56					3,099,503.21
Fees Accrued	8,292.31					8,292.31
Principal Payments	367,809.44	65,639.69		67,047.66		500,496.79
Interest Payments	405,950.04	63,674.15		62,381.05		532,005.24
Fee Payments	36,061.54	5,656.33		5,541.46		47,259.33
SALINA 2 #2259						SALINA 2 #2259
Project Payments	4,713,756.16		114,102.63			4,827,858.79
Interest Accrued	157,552.96					157,552.96
Principal Outstanding	4,885,897.37					4,829,250.83
Fees Accrued	14,588.25					14,588.25
Principal Payments	0.00	86,493.48		84,255.69		170,749.17
Interest Payments	0.00	90,038.36		92,086.52		182,124.88
Fee Payments	0.00	8,336.90		8,526.53		16,863.43
SALINE CO. RWD #4 #2305						SALINE CO. RWD #4 #2305
Project Payments	0.00		36,647.29		(2,844.47)	33,802.82
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					0.00
Fees Accrued	0.00					0.00
Principal Payments	0.00				33,802.82	33,802.82
Interest Payments	0.00			294.33	279.44	573.77
Fee Payments	0.00			28.14	26.72	54.86

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
SEVERY #2156						SEVERY #2156
Project Payments	143,624.00					143,624.00
Interest Accrued	0.00					0.00
Principal Outstanding	132,421.14					127,412.96
Fees Accrued	0.00					0.00
Principal Payments	11,202.86	2,475.32		2,532.86		16,211.04
Interest Payments	11,082.34	2,847.05		2,793.84		16,723.23
Fee Payments	902.05	231.74		227.41		1,361.20
SHARON SPRINGS #2306						SHARON SPRINGS #2306
Project Payments	445,943.15	42,663.64	11,366.00			499,972.79
Interest Accrued	0.00					0.00
Principal Outstanding	445,943.15					486,116.02
Fees Accrued	0.00					0.00
Principal Payments	0.00			13,856.77		13,856.77
Interest Payments	990.86	6,145.20		8,870.67		16,006.73
Fee Payments	93.99	582.88		841.39		1,518.26
SHAWNEE CO. CONS. RWD #1 #2236						SHAWNEE CO. CONS. RWD #1 #2236
Project Payments	1,750,974.93		178,024.69	308,687.00	397,731.20	2,635,417.82
Interest Accrued	0.00					0.00
Principal Outstanding	1,661,734.97					2,389,870.89
Fees Accrued	0.00					0.00
Principal Payments	89,239.96	78,585.83		77,721.14		245,546.93
Interest Payments	47,805.18	32,666.18		33,462.86		113,934.22
Fee Payments	4,080.92	2,788.57		2,856.58		9,726.07
SHAWNEE CO. RWD #3 #2158						SHAWNEE CO. RWD #3 #2158
Project Payments	915,770.14					915,770.14
Interest Accrued	0.00					0.00
Principal Outstanding	820,789.20					786,543.52
Fees Accrued	0.00					0.00
Principal Payments	94,980.94	16,949.53		17,296.15		129,226.62
Interest Payments	110,954.39	15,348.76		15,031.80		141,334.95
Fee Payments	10,383.44	1,436.38		1,406.72		13,226.54

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
SPIVEY #2160						SPIVEY #2160
Project Payments	78,000.00					78,000.00
Interest Accrued	0.00					0.00
Principal Outstanding	59,348.85					54,726.95
Fees Accrued	0.00					0.00
Principal Payments	18,651.15	2,287.22		2,334.68		23,273.05
Interest Payments	12,881.23	1,127.63		1,084.17		15,093.03
Fee Payments	1,186.41	103.86		99.86		1,390.13
SPRING HILL #2367						SPRING HILL #2367
Project Payments	0.00			759,203.82	154,364.46	913,568.28
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					913,568.28
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
STERLING #2211						STERLING #2211
Project Payments	469,032.25					469,032.25
Interest Accrued	17,921.98					17,921.98
Principal Outstanding	488,613.68					459,453.22
Fees Accrued	1,659.45					1,659.45
Principal Payments	0.00	14,431.23		14,729.23		29,160.46
Interest Payments	4,554.19	9,234.80		8,962.05		22,751.04
Fee Payments	421.69	855.07		829.82		2,106.58
STOCKTON #2163						STOCKTON #2163
Project Payments	2,800,000.00					2,800,000.00
Interest Accrued	0.00					0.00
Principal Outstanding	2,618,310.97					2,512,519.53
Fees Accrued	0.00					0.00
Principal Payments	181,689.03	52,372.00		53,419.44		287,480.47
Interest Payments	183,666.90	47,784.18		46,828.39		278,279.47
Fee Payments	17,611.87	4,582.04		4,490.39		26,684.30

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
STRONG CITY #2237						STRONG CITY #2237
Project Payments	141,680.61					141,680.61
Interest Accrued	0.00					0.00
Principal Outstanding	136,867.32					123,627.77
Fees Accrued	0.00					0.00
Principal Payments	4,813.29	2,490.89		10,748.66		18,052.84
Interest Payments	10,181.72	2,942.65		2,889.09		16,013.46
Fee Payments	828.73	239.52		235.16		1,303.41
SYLVAN GROVE #2164						SYLVAN GROVE #2164
Project Payments	160,901.75					160,901.75
Interest Accrued	0.00					0.00
Principal Outstanding	141,015.24					134,827.34
Fees Accrued	0.00					0.00
Principal Payments	19,886.51	3,063.47		3,124.43		26,074.41
Interest Payments	21,371.05	2,559.43		2,503.82		26,434.30
Fee Payments	2,060.57	246.77		241.42		2,548.76
ULYSSES #2171						ULYSSES #2171
Project Payments	194,787.94			(80.53)		194,707.41
Interest Accrued	0.00					0.00
Principal Outstanding	190,297.06					181,195.23
Fees Accrued	0.00					0.00
Principal Payments	4,490.88	4,464.78		4,556.52		13,512.18
Interest Payments	7,321.56	3,577.58		3,493.65		14,392.79
Fee Payments	681.53	333.02		325.21		1,339.76
VALLEY CENTER #2174						VALLEY CENTER #2174
Project Payments	2,906,085.77		8,805.30			2,914,891.07
Interest Accrued	17,714.63					17,714.63
Principal Outstanding	2,385,160.71					2,254,351.36
Fees Accrued	2,067.79					2,067.79
Principal Payments	540,707.48	69,127.01		70,487.64		680,322.13
Interest Payments	260,111.55	44,602.51		43,358.31		348,072.37
Fee Payments	24,505.82	4,174.03		4,057.60		32,737.45

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BORROWER AND PROJECT NO.	TOTAL	9/30/03	12/31/03	3/31/04	6/30/04	TOTAL
WICHITA #2227						WICHITA #2227
Project Payments	7,220,000.00					7,220,000.00
Interest Accrued	0.00					0.00
Principal Outstanding	6,846,255.21					6,606,965.01
Fees Accrued	0.00					0.00
Principal Payments	373,744.79	118,258.52		121,031.68		613,034.99
Interest Payments	552,898.10	148,563.74		145,997.54		847,459.38
Fee Payments	44,588.57	11,980.94		11,773.98		68,343.49
WINFIELD #2181						WINFIELD #2181
Project Payments	2,267,101.06					2,267,101.06
Interest Accrued	58,509.73					58,509.73
Principal Outstanding	2,292,750.08					2,214,524.65
Fees Accrued	5,374.91					5,374.91
Principal Payments	38,235.62	38,710.13		39,515.30		116,461.05
Interest Payments	44,111.47	43,676.89		42,939.46		130,727.82
Fee Payments	4,052.24	4,012.31		3,944.57		12,009.12
WINFIELD 2 #2233						WINFIELD 2 #2233
Project Payments	0.00			940,247.14	1,037,641.87	1,977,889.01
Interest Accrued	0.00					0.00
Principal Outstanding	0.00					1,977,889.01
Fees Accrued	0.00					0.00
Principal Payments	0.00					0.00
Interest Payments	0.00					0.00
Fee Payments	0.00					0.00
Total Project Payments	126,362,883.82	7,196,089.41	8,445,390.32	9,750,557.51	8,523,166.62	160,278,087.68
Total Interest Accrued	1,089,201.77	127,165.07	0.00	58,105.89	0.00	1,274,472.73
Total Principal Outstanding	118,267,526.08	4,906,690.46	7,595,390.32	6,652,098.46	8,369,363.80	145,791,069.12
Total Fees Accrued	100,606.92	11,916.21	0.00	5,360.63	0.00	117,883.76
Total Principal Payments	9,285,166.43	2,428,480.23	850,000.00	3,161,925.57	153,802.82	15,879,375.05
Total Interest Payments	8,339,173.68	2,048,341.12	0.00	2,357,879.83	279.44	12,745,674.07
Total Fee Payments	760,000.41	185,117.94	0.00	214,143.11	26.72	1,159,288.18

EXHIBIT 10

STATE OF KANSAS
PUBLIC WATER SUPPLY LOAN FUND
Schedule of Cumulative Federal Awards
June 30, 2004

	CFDA Number	Award	Federal Expenditures	Undisbursed Balance
U.S. Environmental Protection Agency: Kansas				
Department of Health and Environment - Drinking Water				
State Revolving Loan Fund Capitalization Grants -				
Federal Fiscal Year 1997	66.468	\$ 14,095,000	\$ 14,079,326	\$ 15,674
Federal Fiscal Year 1998	66.468	10,008,100	10,008,100	-
Federal Fiscal Year 1999	66.468	10,489,400	10,489,400	-
Federal Fiscal Year 2000	66.468	10,901,500	10,837,690	63,810
Federal Fiscal Year 2001	66.468	10,946,600	10,056,552	890,048
Federal Fiscal Year 2002	66.468	9,234,700	8,195,618	1,039,082
Federal Fiscal Year 2003	67.468	9,179,200	7,679,762	1,499,438
Total Capitalization Grants		\$ 74,854,500	\$ 71,346,448	\$ 3,508,052
1997 Capitalization Grant				
Leveraged bond reserve fund		11,776,871	11,776,871	-
Program administration account		563,800	563,800	-
Technical assistance account		281,900	281,900	-
State program management account		317,929	320,950 *	(3,021)
Source water assessment account		1,154,500	1,135,805	18,695
Totals		\$ 14,095,000	\$ 14,079,326	\$ 15,674
1998 Capitalization Grant				
Leveraged bond reserve fund		9,407,614	9,407,614	-
Program administration account		400,324	400,324	-
Technical assistance account		200,162	200,162	-
State program management account		-	-	-
Totals		\$ 10,008,100	\$ 10,008,100	\$ -
1999 Capitalization Grant				
Leveraged bond reserve fund		9,860,036	9,860,036	-
Program administration account		419,576	419,576	-
Technical assistance account		209,788	209,788	-
State program management account		-	-	-
Totals		\$ 10,489,400	\$ 10,489,400	\$ -
2000 Capitalization Grant				
Leveraged bond reserve fund		10,393,127	10,393,127	-
Program administration account		436,060	372,250	63,810
Technical assistance account		72,313	72,313	-
State program management account		-	-	-
Totals		\$ 10,901,500	\$ 10,837,690	\$ 63,810

PUBLIC WATER SUPPLY LOAN FUND

Schedule of Cumulative Federal Awards

June 30, 2004 (Continued)

	CFDA Number	Award	Federal Expenditures	Undisbursed Balance
2001 Capitalization Grant				
Leveraged bond reserve fund		9,827,552	9,827,552	-
Program administration account		437,864	-	437,864
Technical assistance account		218,932	131,000	87,932
State program management account		102,252	98,000 *	4,252
Other authorized activities 1452K (1)b		360,000	- *	360,000
Totals		\$ 10,946,600	\$ 10,056,552	\$ 890,048
2002 Capitalization Grant				
Leveraged bond reserve fund		8,195,618	8,195,618	-
Program administration account		369,388	-	369,388
Technical assistance account		184,694	-	184,694
State program management account		230,000	-	230,000
Other authorized activities 1452K (1)b		255,000	-	255,000
Totals		\$ 9,234,700	\$ 8,195,618	\$ 1,039,082
2003 Capitalization Grant				
Leveraged bond reserve fund		8,812,032	7,679,762	1,132,270
Program administration account		367,168	-	367,168
Technical assistance account		-	-	-
State program management account		-	-	-
Totals		\$ 9,179,200	\$ 7,679,762	\$ 1,499,438
Program Totals				
Leveraged bond reserve fund		68,272,850	67,140,580	1,132,270
Program administration account		2,994,180	1,755,950	1,238,230
Technical assistance account		1,167,789	895,163	272,626
State program management account		650,181	418,950	231,231
Other authorized activities 1452K (1)b		615,000	-	615,000
Source water assessment account		1,154,500	1,135,805	18,695
Totals		\$ 74,854,500	\$ 71,346,448	\$ 3,508,052

*Correction will be made in FY 05 with
EPA to move \$120,000 to 2001
Other authorized activities 1452K and return
\$60,000 to 1997 & 2001 State program management.
Cash & expenditures were corrected in
STARS in FY 04.

EXHIBIT 11

APPENDIX A
2004 PROJECT PRIORITY LIST
AMENDED

May 11, 2004

Municipality Name	Project #	Priority Rating	Project Description	Loan Request \$	Accumulative Amount \$
PWWSD # 12	2349	35	Water Treatment Plant and Distribution Improvements	\$6,000,000	\$6,000,000
* Arlington	2385	33	New Well and Existing Well Rehab	\$250,000	\$6,250,000
* Atlanta	2360	33	Filter Plant	\$350,000	\$6,600,000
* St. George	2308	33	Water Supply Well and Transmission Line	\$200,000	\$6,800,000
* Ingalls	2356	30	New Well	\$185,840	\$6,985,840
* Spring Hill	2367	30	Water Treatment Plant Expansion and Transmission Line	\$2,650,000	\$9,635,840
* Alma	2350	28	Water Treatment Plant Upgrades	\$850,000	\$10,485,840
* Argonia	2344	28	Water Line Replacement	\$900,000	\$11,385,840
Fort Scott	2277	28	Water Treatment Plant Improvements	\$2,700,000	\$14,085,840
* Marion	2331	28	Water Treatment Plant Improvements	\$800,000	\$14,885,840
* Pleasanton	2348	28	Water Treatment Plant Upgrades	\$1,200,000	\$16,085,840
* Marion Co RWD # 1	2332	26	Construction of Elevated Storage Tank	\$400,000	\$16,485,840
* Norton	2260	26	Water Treatment Plant Upgrade and Rehabilitation	\$2,882,000	\$19,367,840
Winfield	2233	26	Water Treatment Plant Improvements	\$5,640,000	\$25,007,840
* Cloud Co RWD #1	2327	25	New Well, New Pump Houses, Water Tower Rehabilitation	\$300,000	\$25,307,840
* Conway Springs	2347	25	Nitrate Treatment and Water Line	\$1,130,000	\$26,437,840
* Crawford Co RWD #7	2358	25	Distribution Line Replacement and Water Storage	\$398,460	\$26,836,300
* Johnson Co RWD # 7	2333	25	Water Transmission Mains	\$1,500,000	\$28,336,300
Olathe	2366	25	Water Treatment Plant Upgrade and Expansion	\$10,000,000	\$38,336,300
* Chetopa	2188	23	Water Treatment Plant Upgrade and Water line Replacement	\$1,000,000	\$39,336,300
* Herington	2357	23	Water Treatment Plant Rehabilitation	\$511,500	\$39,847,800
* Council Grove	2378	21	Water Treatment Plant Improvements	\$2,500,000	\$42,347,800
* Lyndon	2376	21	Elevater Water Tower & Distribution Line Upgrade	\$1,150,000	\$43,497,800
* Woodson Co. RWD # 1	2345	21	Interconnection with Yates Center	\$500,000	\$43,997,800
* Geary Co RWD #4	2319	20	Construction of Filtering Facility	\$650,000	\$44,647,800
* Osage Co. RWD #3	2382	20	Water Treatment Plant Improvements	\$500,000	\$45,147,800
* Downs	2388	18	Treatment Plant Improvements for nitrate removal	\$200,000	\$45,347,800
* Kanorado	2384	18	Well Rehab and Distribution Line Replacement	\$1,029,508	\$46,177,308
Parsons	2394	18	Membrane Replacement and Treatment Plant Upgrade	\$5,000,000	\$51,177,308
Emporia	2276	16	Water Treatment Plant Upgrade	\$3,500,000	\$49,677,308
* Girard	2352	16	Water Tower Construction	\$900,000	\$50,577,308
* Little River	2330	16	Phase II Distribution System Improvements	\$1,381,112	\$51,958,420
* Louisburg	2354	16	New Water Treatment Plant	\$4,800,000	\$56,758,420
* Montgomery Co RWD #8	2329	16	Distribution Line Replacement	\$135,000	\$56,893,420
* Russell	2362	16	Water Treatment Plant and Waterline Extention	\$5,000,000	\$61,893,420
* Coffeyville	2267	13	Water line replacement	\$625,500	\$62,518,920
* Coffeyville	2377	13	Water Line Replacement	\$287,500	\$62,806,420
* Ellis	2374	13	New Well Construction	\$300,000	\$63,106,420
* Hamilton Co RWD #1	2365	13	Standpipe Rehab and Valve Replacement	\$28,000	\$63,134,420
* Moran	2386	13	Distribution System Replacement	\$434,000	\$63,568,420
* Council Grove	2246	11	New Raw Water Supply line from Federal Reservoir	\$100,000	\$63,668,420
* Marshall Co. RWD # 3	2336	11	Water Tower Construction	\$350,000	\$64,018,420
* North Newton	2328	11	Distribution Line Replacement	\$700,000	\$64,718,420
* St. Marys	2375	11	Elevated Water Tower	\$750,000	\$65,468,420
Andale	2003	10	Line extensions to new subdivision.	\$77,500	\$65,545,920
* Chanute	2364	10	Distribution Line Replacement	\$220,000	\$65,765,920
* Franklin CO RWD 2	2052	10	Install transmission lines	\$115,000	\$65,880,920
* Harper Co. RWD #2	2351	10	Water Line Replacement	\$854,000	\$66,734,920
* Jefferson County RWD #1	2282	10	Storage Tank and construction of Waterline	\$911,530	\$67,646,450
* Johnson County RWD # 7	2283	10	Storage Tank and construction of Waterline	\$1,100,000	\$68,746,450
* Lecompton	2381	10	New Well and Rehab Treatment Plant	\$994,500	\$69,740,950
* Mc Pherson RWD #6	2387	10	Public Water Supply System	\$1,500,000	\$71,240,950
* Osage CO RWD # 7	2125	10	Replace 14 miles of lines	\$450,000	\$71,690,950
* Reno CO RWD # 3	2147	10	Water distribution system rehabilitation	\$400,000	\$72,090,950
* Rice CO RWD # 1	2148	10	Standpipe and pressure reducing station	\$270,000	\$72,360,950
Topeka	2370	10	Wanamaker Water Main	\$2,414,000	\$74,774,950
Topeka	2371	10	Arvonion Water Main	\$1,760,000	\$76,534,950
Topeka	2372	10	Water Mains Approching Topeka Blvd Bridge	\$1,248,800	\$77,783,750
Topeka	2373	10	Oakley Transmission Mains	\$6,042,500	\$83,826,250

* Communities that serve less than 5000

* Project will not be ready to proceed during this program year and therefore was not given a rank

**2004 PROJECT PRIORITY LIST
AMENDED (Continued)**

May 11, 2004

Municipality Name	Project #	Priority Rating	Project Description	Loan Request \$	Accumulative Amount \$
Ford	2049	9	Install water meters in town	\$50,000	\$83,876,250
* Leavenworth Water Dept	2369	9	Transmission Main	\$4,000,000	\$87,876,250
* Argonia	2004	8	Denitrification plant.	\$200,000	\$88,076,250
* Cedar Vale	2019	8	Water line and meter replacement	\$400,000	\$88,476,250
* Cottonwood Falls	2268	8	Rehabilitation of existing storage tank	\$25,000	\$88,501,250
* Goff	2060	8	replace distribution lines, hydrants and meters	\$440,000	\$88,941,250
* Holyrood	2068	8	Loop lines	\$300,000	\$89,241,250
* Otis	2130	8	New pump house for well 6, generator, meters and install pitless ur	\$143,000	\$89,384,250
* Pleasanton	2240	8	Water Transmission Main & Looping	\$288,400	\$89,672,650
* Protection	2145	8	New water wells and transmission line	\$500,000	\$90,172,650
* Inman	2073	7	New tower	\$110,000	\$90,282,650
* Inman	2074	7	Upgrade distribution system	\$600,000	\$90,882,650
* Jackson CO RWD 3	2077	7	New well	\$150,000	\$91,032,650
* Cherokee Co RWD #4	2368	6	Standby Generator	\$45,000	\$91,077,650
Dighton	2036	6	Install telemetry & system rehabilitation	\$120,000	\$91,197,650
Frontenac	2334	6	Relocation of Water Mains	\$332,500	\$91,530,150
* Hays	2064	6	Water line, meter, valve and hydrant change out, loop	\$67,000	\$91,597,150
* Hoisington	2067	6	Telemetry system	\$150,000	\$91,747,150
* Lindsborg	2096	6	Water meter change out, valve and hydrant replacement, main repla	\$94,900	\$91,842,050
* Lindsborg	2097	6	Meter valve and hydrant change out, main replacement	\$118,000	\$91,960,050
* Mullinville	2114	6	Replace mains, service connections and hydrants	\$63,000	\$92,023,050
* Newton	2117	6	Construction of Water storage tank	\$1,100,000	\$93,123,050
North Newton	2247	6	Water transmission main	\$50,000	\$93,173,050
* Pratt	2142	6	Water line replacement	\$1,500,000	\$94,673,050
* Sabetha	2152	6	Storage tank and lines	\$730,000	\$95,403,050
* Scott City	2155	6	Replace meters and lines	\$218,730	\$95,621,780
* St Marys	2162	6	Pipeline extension	\$60,000	\$95,681,780
* Coffee CO RWD # 3	2216	5	Water line construction	\$921,015	\$96,602,795
* Crawford CO RWD # 1C	2031	5	Relocate water line in Hw 69	\$361,985	\$96,964,780
* Crawford CO RWD # 3	2030	5	Water tank and replace lines	\$50,000	\$97,014,780
* Delia	2270	5	Waterline Replacement	\$75,000	\$97,089,780
* Douglas CO RWD #6	2038	5	Pump Station rehab. & cross-connection	\$300,000	\$97,389,780
* Wabaunsee CO RWD # 2	2175	5	Add 15 customers	\$100,000	\$97,489,780
Kansas City BPU ¹	2379		Nearman Basin Train Expansion	\$13,706,000	\$111,195,780
Kansas City BPU ¹	2380		Nearman Filter Expansion	\$8,052,000	\$119,247,780
* Oswego ¹	2363		Water Treatment Plant Upgrade and Secondary Source	\$3,100,000	\$122,347,780

* Communities that serve less than 5000

¹ Project will not be ready to proceed during this program year and therefore was not given a rank

EXHIBIT 12



ALLEN, GIBBS & HOULIK, L.C.

Certified Public Accountants & Consultants

Epic Center • 301 N. Main, Suite 1700
Wichita, Kansas 67202-4868
(316) 267-7231 • FAX (316) 267-0339
www.aghlc.com



Berberich Trahan & Co., P.A.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 1 800 530 5526
Facsimile 785 233 1768
E-mail cpa@cpakansas.com

KANSAS PUBLIC WATER SUPPLY LOAN FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

with

INDEPENDENT AUDITORS' REPORT

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

Years Ended June 30, 2004 and 2003

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ALLEN, GIBBS & HOULIK, L.C.

Certified Public Accountants & Consultants

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Facsimile 785 233 1768
E-mail cpa@cpakansas.com

INDEPENDENT AUDITORS' REPORT

Mr. Roderick L. Bremby
Secretary of Kansas Department of Health and Environment and
the Board of Directors of the Kansas Development Finance Authority:

We have audited the accompanying statements of net assets of the Kansas Public Water Supply Loan Fund (the Fund), an enterprise fund of the State of Kansas, as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of Fund management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the financial position, results of operations and cash flows of the Fund. They do not purport to and do not present fairly the financial position of the State of Kansas as of June 30, 2004 and 2003 and results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2004, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 – 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Allen, Gibbs & Houlik, L.C.
October 1, 2004

Berberich Trahan & Co., P.A.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Kansas Public Water Supply Loan Fund
For the fiscal year ended June 30, 2004

The Kansas Public Water Supply Loan Fund provides financial assistance to Kansas municipalities in the form of loans for the construction of public water supply system infrastructure. The Fund is comprised of Federal Capitalization Grants, proceeds of revenue bonds issued to provide required state-matching moneys, proceeds of revenue bonds issued to leverage the program and recycled moneys.

In this sixth year of operation, the continued success of the Fund is shown below by providing project funding for the additional Public Water Supply needs of Kansas communities.

During the fiscal year ended June 30, 2004:

- ❑ FFY 2003 federal capitalization grant award of \$9,179,200 was received
- ❑ Federal capitalization grant dollars drawn down: \$17,898,168 for the leveraged bond reserve and \$1,009,400 for administration and other set-aside expenses
- ❑ Total available for loans-unexpended: \$25,170,650
- ❑ Total loan agreements: 114 loans totaling \$258,995,533 of which \$161,670,444 has been paid in project payments
- ❑ Loan agreements:
 - New loans \$55,353,935 (24 loans)
 - Loan amendments: 1 increase amendment totaling \$700,000 and 9 decrease amendments totaling -\$2,993,563
- ❑ Disbursements for project costs: \$34,117,752
- ❑ Average monthly disbursements FY2004: \$2,843,146
- ❑ Average monthly disbursements program-to-date: \$2,127,243
- ❑ Completed projects: 16 totaling: \$29,756,493
- ❑ Total revenue bond debt service paid: \$13,755,597
- ❑ Excess loan repayments and earnings transferred to the general recycled loan account: \$667,158 (net of rebate requirements)

The Kansas Public Water Supply Loan Fund (the Fund) is reported as an enterprise fund of the State of Kansas. As such, we prepare three basic financial statements, notes to the financial statements and required supplementary information including this Management's Discussion and Analysis (MD&A). The Statement of Net Assets presents the assets and liabilities of the Fund. Assets consist of cash, interest receivables from loans and investments, investments of idle funds and reserve funds, and loan receivables. Liabilities include revenue bond interest and other accounts payable, arbitrage payable, and revenue bonds payable. Net assets include the federal capitalization grants and State contribution deposited to the bond reserve account and the excess earnings of the Fund's operations since inception.

Kansas Public Water Supply Loan Fund's Net Assets

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 16,553,446	\$ 14,286,136
Noncurrent assets	249,746,046	237,881,203
Total assets	<u>266,299,492</u>	<u>252,167,339</u>
Long-term liabilities outstanding	176,824,999	183,238,567
Other liabilities	8,707,612	7,515,118
Total liabilities	<u>185,532,611</u>	<u>190,753,685</u>
Net assets:		
Invested in capital assets, net of related debt	-	-
Restricted	80,766,881	61,413,654
Unrestricted	-	-
Total net assets	<u>\$ 80,766,881</u>	<u>\$ 61,413,654</u>

The increase in current assets of over \$2.2 million is due in part to the \$1,750,000 in loan prepayments and \$667,000 added to the general recycled loan account that has not yet been placed in an external investment account. The \$667,000 represents the excess of loan repayments over bond debt service payments, net of arbitrage rebate requirements. Other factors include: 1) a \$413,000 increase in loan interest and service fees receivable, 2) an increase of \$330,000 in the ending balance of the service fees collected, 3) a \$375,000 decrease in the restricted cash-rebate account due to a significant remittance to the IRS, 4) an \$85,000 increase in the ending balances of the Revenue Fund accounts and the loan origination fees account, and 5) a \$636,000 decrease in investment interest receivable due to the decrease in the investment balances. The decrease in the investment balances is due to the disbursement of over \$34.1 million in project payments during the year.

The bonds issued for this Program are tax-exempt revenue bonds. As a requirement for issuance of tax-exempt bonds, the Internal Revenue Service requires issuers to calculate and remit the amount of earnings attributable to the bonds that is in excess of the cost of the debt. For this Program, as of June 30, 2004, a rebate liability of \$1,734,084 exists for the Series 1997, 1998 and 2000 bonds. This rebate liability is being incrementally funded from the excess revenues available following each semiannual bond debt service payment. There is no rebate liability for the Series 2002 bonds as of June 30, 2004. A remittance to the IRS was paid in January 2004 for the Series 1998 bonds in an amount of \$496,605. The next remittance to the IRS is due in August 2005 for the 2000 bonds in an amount of approximately of \$1,500,000. Please refer to the notes to the financial statements for more information on debt activity.

All assets of the program have been determined to be restricted assets in accordance with the conditions of the Public Water Supply capitalization grants and bond covenants.

The Statement of Revenues, Expenses and Changes in Fund Net Assets provides information about the Fund resources and uses of those resources. This statement demonstrates that sufficient resources were generated to cover expenses during the fiscal year. The change in net assets as of June 30, 2004, was \$19,353,227. The Fund operating revenues increased by 19.1% due to increased loan interest repayments and grant revenue. The Fund operating expenses decreased by 38.4%; however, program administrative costs (set-asides) decreased 2.2%. Nonoperating revenues decreased 27.5% and nonoperating expenses decreased 1.8% due to reduced returns on investments and bond interest expense. \$17.9 million was drawn down from federal capitalization grants and deposited into the leveraged bond reserve account. The federal capitalization grant in the amount of \$9,179,200 for FFY2003 was awarded prior to June 30, 2004, and \$1,499,438 of the grant has not been drawn down.

Kansas Public Water Supply Loan Fund's Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues:		
Operating revenues:		
Loans	\$ 5,004,774	\$ 4,058,956
Grants	1,002,491	943,939
Service fees	455,904	367,520
Other	91,829	131,422
Nonoperating revenues:		
Investment income:		
Bond reserve fund	2,753,855	2,713,562
Other invested funds	2,271,443	4,213,330
Total revenues	<u>11,580,296</u>	<u>12,428,729</u>
Expenses:		
Operating expenses:		
Program administration-federal	369,970	318,241
Other program set-asides	598,926	624,837
Program administration-other	133,495	183,712
Arbitrage rebate	(205,824)	329,073
Nonoperating expenses:		
Bond issuance costs amortized	130,219	131,992
Bond interest, premium and discount	9,098,451	9,267,045
Total expenses	<u>10,125,237</u>	<u>10,854,900</u>
Increase in net assets before contributions and transfers	1,455,059	1,573,829
Capital contributions:		
Capitalization grants, net of recognized administrative grants	17,898,168	-
Increase in net assets	<u>19,353,227</u>	<u>1,573,829</u>
Total net assets - July 1, 2003 as previously stated	61,413,654	59,427,062
Prior period adjustment	-	412,763
Total net assets - July 1, 2003 as restated	<u>61,413,654</u>	<u>59,839,825</u>
Total net assets - June 30, 2004	<u>\$ 80,766,881</u>	<u>\$ 61,413,654</u>

The Statement of Cash Flows is provided to identify the sources and the uses of cash during the fiscal year and to demonstrate that the Fund has sufficient cash to meet its obligations. The Fund experienced a net increase in cash during the year of \$20.8 million. The majority of this increase is the result of deposits of \$17.9 million in the leveraged bond reserve account and have not yet been invested in an external long-term investment. The balance of the increase is due to routine Program operations. No revenue bonds were issued for the Program this fiscal year.

This report is intended to provide financial information about the Kansas Public Water Supply Loan Fund to State of Kansas and United States Environmental Protection Agency officials, investors and other interested parties and to discuss the activity and success of the Fund. For additional information you may contact Dave Waldo, Program Manager, Kansas Department of Health and Environment or Annette Witt, Central Accounting Manager, Department of Administration.

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

STATEMENTS OF NET ASSETS

June 30, 2004 AND 2003

	2004	2003
ASSETS		
Current assets:		
Cash	\$ 12,670,267	\$ 9,821,227
Restricted cash - rebate 1998 series	-	375,000
Investment interest receivable	1,342,429	1,978,580
Loan interest receivable	2,225,924	1,812,922
Other receivables	314,826	298,407
Total current assets	16,553,446	14,286,136
Noncurrent assets:		
Restricted cash - rebate 2000 series	650,000	150,000
Investments	25,498,550	59,616,301
Loans	145,791,069	118,267,526
Loan reserve accounts	3,346,407	3,155,305
Debt service reserve fund - investments	44,480,002	44,480,002
Debt service reserve fund - cash	27,660,578	9,762,410
Bond issue costs, net of amortization	2,319,440	2,449,659
Total noncurrent assets	249,746,046	237,881,203
Total assets	266,299,492	252,167,339
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	88,963	144,226
Bond interest payable	2,248,649	2,300,149
Revenue bonds payable, current	6,370,000	4,555,000
Total current liabilities	8,707,612	6,999,375
Current liabilities payable from restricted assets:		
Arbitrage rebate payable	-	515,743
Total current liabilities payable from restricted assets	-	515,743
Noncurrent liabilities:		
Arbitrage rebate payable	1,734,084	1,918,158
Loan reserve accounts payable	3,349,659	3,158,507
Revenue bonds payable, long-term, net	171,741,256	178,161,902
Total noncurrent liabilities	176,824,999	183,238,567
Total liabilities	185,532,611	190,753,685
NET ASSETS		
Invested in capital assets, net of related debt	-	-
Restricted net assets	80,766,881	61,413,654
Unrestricted net assets	-	-
	\$ 80,766,881	\$ 61,413,654

See accompanying notes to financial statements.

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended June 30, 2004 AND 2003

	2004	2003
Operating revenues:		
Loans	\$ 5,004,774	\$ 4,058,956
Grant revenue	1,002,491	943,939
Service fee revenue	455,904	367,520
Other revenue	<u>91,829</u>	<u>131,422</u>
Total operating revenues	<u>6,554,998</u>	<u>5,501,837</u>
Operating expenses:		
Program administration-federal	369,970	318,241
Program administration-other federal set-asides	598,926	624,837
Program administration-other	133,495	183,712
Arbitrage rebate	<u>(205,824)</u>	<u>329,073</u>
Total operating expenses	<u>896,567</u>	<u>1,455,863</u>
Operating income	<u>5,658,431</u>	<u>4,045,974</u>
Nonoperating revenues (expenses):		
Investment income:		
Bond reserve fund	2,753,855	2,713,562
Other investment income	2,271,44	4,213,330
Capital contributions-capitalization grants, net of recognized administrative grants	17,898,168	-
Bond issuance costs	(130,219)	(131,992)
Interest expense - bonds	<u>(9,098,451)</u>	<u>(9,267,045)</u>
Total nonoperating revenues (expenses)	<u>13,694,796</u>	<u>(2,472,145)</u>
Change in net assets	<u>19,353,227</u>	<u>1,573,829</u>
Total net assets, beginning of year as previously stated	61,413,654	59,427,062
Prior period adjustment	<u>-</u>	<u>412,763</u>
Total net assets, beginning of year as restated	<u>61,413,654</u>	<u>59,839,825</u>
Total net assets, ending	<u>\$ 80,766,881</u>	<u>\$ 61,413,654</u>

See accompanying notes to financial statements.

**KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003**

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 4,591,772	\$ 3,684,415
Other receivables	(16,419)	(27,315)
Program administration expenses	(1,024,159)	(1,239,509)
Arbitrage rebate paid	(493,993)	(936,330)
Service fees received	455,904	367,520
Other revenue	91,829	131,422
Service fees paid	(133,495)	(183,712)
Capitalization grant for administrative costs	1,002,491	943,939
	<hr/>	<hr/>
Net cash provided by operating activities	4,473,930	2,740,430
	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Bond principal paid	(4,555,000)	(3,575,000)
Bond interest paid	(9,200,597)	(9,143,849)
Capitalization grant for reserve fund	17,898,168	-
Bond issuance costs refunded	-	49,637
	<hr/>	<hr/>
Net cash provided by (used in) noncapital financing activities	4,142,571	(12,669,212)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	34,117,751	27,640,666
Proceeds from sales and maturities of debt service reserve funds	-	9,762,410
Interest received on investments and debt service reserve funds	5,661,449	7,262,597
Loan principal collected	6,594,209	3,657,587
Loans disbursed	(34,117,752)	(27,640,666)
Increase in loan reserve accounts	(191,102)	(1,219)
Increase in loan reserve payables	191,152	-
	<hr/>	<hr/>
Net cash provided by investing activities	12,255,707	20,681,375
	<hr/>	<hr/>
Net increase in cash	20,872,208	10,752,593
	<hr/>	<hr/>
Cash, beginning of year	20,108,637	9,356,044
	<hr/>	<hr/>
Cash, end of year	\$ 40,980,845	\$ 20,108,637
	<hr/>	<hr/>
Cash consists of:		
Cash	\$ 12,670,267	\$ 9,821,227
Debt service reserve fund - cash	27,660,578	9,762,410
Restricted cash - 1998 series	-	375,000
Restricted cash - 2000 series	650,000	150,000
	<hr/>	<hr/>
	\$ 40,980,845	\$ 20,108,637
	<hr/>	<hr/>

KANSAS PUBLIC WATER SUPPLY LOAN FUND
(AN ENTERPRISE FUND OF THE STATE OF KANSAS)

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,658,431	\$ 4,045,974
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Loan interest receivable	(413,002)	(374,540)
Other receivables	(16,419)	(27,315)
Accounts payable and accrued expenses	(55,263)	(296,432)
Arbitrage rebate payable	(699,817)	(607,257)
	<u>\$ 4,473,930</u>	<u>\$ 2,740,430</u>
Net cash provided by operating activities		

See accompanying notes to financial statements.

KANSAS PUBLIC WATER SUPPLY LOAN FUND (AN ENTERPRISE FUND OF THE STATE OF KANSAS)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Description of Program – The Kansas Public Water Supply Loan Fund (the Fund) was established pursuant to Kansas Statutes Annotated (K.S.A.) 65-163d et. seq. in 1994 by the Kansas Legislature. The Fund was created to implement the State of Kansas' (Kansas or the State) participation under the Federal Safe Drinking Water Act (the Federal Act) as amended by the Safe Drinking Water Act Amendments of 1996. Under Kansas law, the Secretary of the Kansas Department of Health and Environment (KDHE) administers the Public Water Supply Loan Program (the Program). The Federal Act authorizes the Environmental Protection Agency (EPA) to award capitalization grants for deposit into state funds in order to provide financial assistance for construction and management of public water supply systems. The Program is the response by the State to federal law changes governing the development of publicly owned, public water supply systems including the financing, construction and management of those systems. The state fund may be used to make loans, fund debt service reserves and provide other types of financial assistance to public entities. Initial funding for the Program is to be provided by the EPA capitalization grants and proceeds of bonds which will provide State match funds. The State match funds must be equal to 20% of the federal capitalization grants. The Fund is to be established, maintained and credited with loan repayments and the Fund equity is to be available in perpetuity for providing such financial assistance. The capitalization grants are included within the scope of the State of Kansas A-133 audit.

Loans are made to municipalities, as defined by the K.S.A., from the Fund for eligible project costs. Kansas Administrative Regulation 28-15-52 established the interest rates for the loans, together with fees set for servicing the loans, to be an amount equal to 80% of the previous three months' average "bond buyers 20 bond index" as published each week of the preceding three months. KDHE administers the aspects of the Program relating to selection of projects and the making of loans to eligible municipalities. The Department of Administration administers the accounting and reporting aspects of the Program relating to the receipt and disbursement of monies within the Fund including disbursement of loans to municipalities and billing and collecting of loan repayments. The Kansas Development Finance Authority (KDFA) issues revenue bonds for the State matching funds needed and for leveraged borrowing for the Fund. Monies in the Fund are deposited with the Treasurer of the State of Kansas (the Treasurer).

Basis of Presentation – The Fund is an enterprise fund of the State. In reporting its financial activity, the Fund has elected to apply applicable Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989.

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Basis of Accounting – The financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of accounting refers to when revenues, expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Fund meets the cash flow needs of its activities.

Cash – Cash includes balances on deposit with the Treasurer.

Investments – The Fund invests in investment agreements. These investments are stated at cost as they are not negotiable or transferable and are not affected by market fluctuations.

Loans and Other Receivables – Receivables include interest earnings, current loan repayments due and loan principal balances outstanding. All receivables are considered collectable; therefore, no allowance account has been established.

Debt Service Reserve Fund – The debt service reserve fund was established as required under certain bond resolutions and consists of investments in repurchase agreements. The investments are stated at cost as they are not negotiable or transferable and are not affected by market fluctuations. No trustee is required by the bond resolutions. Contractually, such investments may only be used to prevent any default in the payment of principal or interest on bonds payable.

Bond Issuance Costs, Premiums and Discounts – Bond issuance costs are being amortized over the life of the bonds using the straight-line method. Beginning with the 2002 bonds, the interest method is being used to calculate amortization of premium and discount. Prior to the 2002 issue premium and discount are being amortized on the straight-line method.

Revenues – The Fund revenues consist of operating and nonoperating revenues. Operating revenues include: 1) interest earned on loans, 2) federal grant dollars earned for administrative costs, also known as program set-asides (program administration, technical assistance, public water supply supervision grant and source water assessment) and 3) loan service fees earned. Nonoperating revenues include the investment income on bond reserves and other invested program moneys and any other revenues not classified as operating revenues.

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (continued)

Expenses – The Fund expenses consist of operating and nonoperating expenses. Operating expenses include: 1) federal grant moneys for administrative costs, also known as program set-asides (program administration, technical assistance, public water supply supervision grant and source water assessment) and 2) amounts due the IRS for arbitrage rebate on program revenue bonds. Nonoperating expenses include: 1) revenue bond interest, 2) revenue bond issuance costs amortized and 3) revenue bond premium and discount amortized.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Currently the fund has no net assets invested in capital assets. Net assets are reported as restricted when there are external limitations imposed on their use. All assets of the program have been determined to be restricted assets in accordance with the conditions of the Public Water Supply EPA capitalization grants and bond covenants. Restricted net assets includes EPA capitalization grants restricted for the 1) bond reserve fund, 2) program administration expenses, 3) technical assistance, 4) public water supply supervision grant, and 5) source water assessment. The amounts of capitalization grant restricted for program administration, technical assistance, public water supply supervision grant and source water assessment are being recognized as revenue when earned. Also included in restricted net assets is contributed capital from the State of Kansas. These moneys were contributed to the Fund per K.S.A. 74-8203, as amended and supplemented.

Uses of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Period Adjustment – The 2003 financial statements have been restated to record service fees collected as revenue rather than a liability. The effect of this restatement is an increase in the beginning balance of net assets as of July 1, 2002 of \$412,763 and an increase in the change in ending net assets at June 30, 2003 of \$284,139. Ending accounts payable at June 30, 2003 decreased \$696,902. There were no current year revenue or expenditure effects as a result of the adjustment in the Fund.

2. INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

The Fund's investment policies are governed by Article IX of the Master Bond Resolution. Allowable investments for the Fund cash balances held in the State Treasury and invested through the State Pooled Money Investment Board are as follows:

- Direct obligations of, or obligations that are insured as to principal and interest by, the U.S. Government or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Limited interest bearing loans to various State agencies as specifically provided by law
- Certain Kansas agency and IMPACT Act projects and bonds
- High grade commercial paper

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements

As of June 30, 2004, the program's investment and debt service reserve fund balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More Than 10 Years</u>
Repurchase Agreements	\$44,480,002				\$44,480,002
Investment Agreements	25,498,550		\$25,498,550		
TOTAL	<u>\$69,978,552</u>	<u>\$0</u>	<u>\$25,498,550</u>	<u>\$0</u>	<u>\$44,480,002</u>

The investments shown above include debt service reserve funds of \$44,480,002 and investments of \$25,498,550 totaling \$69,978,552.

2. INVESTMENTS AND DEBT SERVICE RESERVE FUNDS (continued)

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3 – 5 years.

Credit Risk –The Fund holds certain investments that have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2004.

<u>Investment Provider</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Citigroup	\$35,326,102	50.48%
AIG	13,375,036	19.11%
Societe Generale	9,922,614	14.18%
Westdeutsche	11,354,800	16.23%
TOTAL	<u>\$69,978,552</u>	<u>100.00%</u>

3. LOANS

The loans made by the Fund to the municipalities may include interest and service fees capitalized during project construction. Loans are to be repaid not later than twenty years after project completion. Principal and interest payments are due semi-annually. Interest rates on the loans outstanding at June 30, 2004, excluding the .35% service fee rate, range from 3.24% to 4.42%.

Commitments to municipalities participating in the Program and outstanding loan balances as of June 30 are as follows:

<u>Project</u>	<u>2004 Total Loan Commitment</u>	<u>2004 Cumulative Amount Loaned</u>	<u>2004 Undisbursed Loan Commitment</u>	<u>2004 Outstanding Loan Balance</u>	<u>2003 Outstanding Loan Balance</u>
Abilene	\$1,400,000	\$1,400,000	\$ 0	\$1,130,963	\$1,186,465
Alma	481,206	481,206	0	392,673	409,676
Assaria	489,000	489,000	0	453,691	469,731
Baldwin City	1,904,750	1,471,982	432,768	1,471,982	0
Baxter Springs	2,900,000	2,900,000	0	2,746,747	2,819,563
Burlington	4,511,250	1,833,186	2,678,064	1,833,186	0
Butler Co. RWD #8	816,871	816,871	0	747,733	776,308
Carbondale	2,269,089	1,343,05	926,03	1,070,50	814,01
Chanute 1	1,750,000	1,750,000	0	1,683,585	1,565,205

3. LOANS (continued)

Project	2004 Total Loan Commitment	2004 Cumulative Amount Loaned	2004 Undisbursed Loan Commitment	2004 Outstanding Loan Balance	2003 Outstanding Loan Balance
Chanute 2	\$ 377,000	\$ 0	\$ 377,000	\$ 0	\$ 0
Chetopa	1,000,000	39,300	960,700	39,300	0
Cimarron	1,522,500	1,511,449	11,051	1,310,748	1,367,763
Cloud Co. RWD #1	300,000	0	300,000	0	0
Coffeyville 1	2,504,000	2,425,389	78,611	2,295,841	1,007,748
Coffeyville 2	418,391	418,391	0	398,565	411,023
Coffeyville 3	625,500	0	625,500	0	0
Colwich	3,576,879	3,576,879	0	3,339,864	3,455,929
Council Grove	2,600,000	0	2,600,000	0	0
Crawford Co. RWD #5	579,651	579,651	0	497,376	516,211
Dodge City	5,960,300	3,918,058	2,042,242	3,545,284	1,476,231
Doniphan Co. RWD #5	46,304	46,304	0	42,982	44,481
Douglas Co. RWD #4	857,696	857,696	0	857,696	404,375
Douglas Co. RWD #5	1,556,629	1,163,630	392,999	1,060,967	1,129,868
Downs	225,562	0	225,562	0	0
Edgerton	1,145,000	1,061,270	83,730	973,878	1,017,223
Ellsworth	2,200,000	2,041,835	158,165	1,959,792	1,959,639
Emporia	4,739,011	4,739,011	0	4,014,141	4,182,044
Eureka	450,000	450,000	0	393,680	410,151
Finney Co. RWD #1	2,511,217	2,511,217	0	2,181,260	2,280,397
Florence	200,000	155,428	44,572	149,263	46,800
Fort Scott 1	3,150,000	0	3,150,000	0	0
Fort Scott 2	4,200,000	0	4,200,000	0	0
Garden City 1	5,678,099	5,678,099	0	4,674,003	4,892,199
Garden City 2	3,000,000	2,615,098	384,902	2,615,098	1,440,319
Garnett	1,230,000	1,151,467	78,533	1,124,315	814,964
Geary Co. RWD #4	723,125	241,729	481,396	241,729	0
Goessel	350,000	340,925	9,075	327,550	289,348
Goodland	2,500,000	2,467,136	32,864	2,092,382	2,150,721
Harper Co. RWD #2	511,550	0	511,550	0	0
Harvey Co. RWD #1	539,677	539,677	0	462,197	482,487
Herington	622,212	0	622,212	0	0
Hiawatha	1,374,044	457,119	916,925	457,119	0
Hoyt	814,697	808,428	6,269	754,174	781,599
Hutchinson	2,508,271	1,297,672	1,210,599	1,297,672	0
Ingalls	203,347	101,595	101,752	101,595	0
Iola	9,000,000	5,664,384	3,335,616	5,664,384	0
Jackson Co. RWD #1	2,170,441	2,170,441	0	1,650,778	2,051,585
Jewell Co. RWD #1	550,300	0	550,300	0	0
Johnson Co. Consolidated RWD #6	1,239,437	1,239,437	0	1,016,252	1,062,441
Johnson Co. RWD #7	1,578,591	1,578,591	0	1,349,410	1,407,841
Johnson Co. RWD #7-2	969,014	640,272	328,742	640,272	0
Junction City	780,000	744,382	35,618	663,042	691,198
Kansas City Board of Public Utilities 1	8,808,750	2,280,506	6,528,244	2,280,506	311,103
Kansas City Board of Public Utilities 2	5,467,500	2,129,543	3,337,957	2,129,543	0

3. LOANS (continued)

Project	2004 Total Loan Commitment	2004 Cumulative Amount Loaned	2004 Undisbursed Loan Commitment	2004 Outstanding Loan Balance	2003 Outstanding Loan Balance
Lawrence 1	\$ 7,000,000	\$ 6,166,122	\$ 833,878	\$ 5,898,217	\$ 6,076,945
Lawrence 2	5,620,015	5,369,089	250,926	5,244,263	3,110,829
Leavenworth Co. Consolidated RWD #1	2,964,361	2,964,361	0	2,498,393	2,611,944
Leavenworth Co. RWD #7	1,652,957	1,652,957	0	1,618,268	689,595
Leavenworth Co. RWD #9	809,347	809,347	0	0	569,288
Leavenworth Waterworks Board	10,000,000	1,722,442	8,277,558	1,722,442	1,747,442
Liberal	7,517,000	0	7,517,000	0	0
Logan	650,000	650,000	0	539,606	564,732
Long Island	191,920	188,749	3,171	181,695	167,734
Lyon Co. RWD #1	445,408	445,408	0	0	293,206
Maize	5,300,000	5,132,705	167,295	5,129,291	5,029,401
Marion	800,000	0	800,000	0	0
Marion Co. RWD #1	400,000	67,938	332,062	67,938	0
Marion Co. RWD #4	1,844,781	1,844,781	0	1,546,752	1,617,051
Marshall Co. RWD #3	575,465	575,465	0	385,061	524,789
Marshall Co. RWD #3-2	500,000	0	500,000	0	0
Marysville	301,747	301,747	0	293,898	88,214
McLouth	1,009,840	1,009,840	0	793,299	830,269
Medicine Lodge	650,000	587,689	62,311	561,218	576,922
Miami Co. RWD #2	5,515,053	5,515,053	0	4,729,660	4,936,261
New Strawn	1,269,789	1,269,789	0	1,195,458	1,233,972
Newton 1	2,086,456	2,086,456	0	1,692,560	1,772,571
Newton 2	1,400,000	1,231,922	168,078	1,201,632	766,367
North Newton	700,000	276,687	423,313	276,687	0
Olathe	20,000,000	0	20,000,000	0	0
Osage City	2,736,500	1,818,055	918,445	1,818,055	377,451
Osage Co. RWD #4	250,000	141,026	108,974	141,026	0
Osawatomie	902,250	901,481	769	847,431	285,263
Osborne	276,505	276,505	0	247,878	257,810
Overbrook	160,000	131,112	28,888	127,850	120,454
Parsons 1	9,200,000	9,124,347	75,653	7,425,804	7,789,205
Parsons 2	5,000,000	0	5,000,000	0	0
Pleasanton	650,000	0	650,000	0	0
Pottawatomie Co. RWD #3	564,422	480,398	84,024	480,398	0
Public Wholesale Water Supply District #4-1	1,124,154	1,124,154	0	914,912	958,363
Public Wholesale Water Supply District #4-2	530,710	530,710	0	530,710	222,324
Public Wholesale Water Supply District #17	3,490,455	3,334,455	156,000	3,029,604	3,159,885
Rush Center	67,736	67,736	0	0	0
Russell 1	1,675,000	1,675,000	0	1,364,998	1,424,921
Russell 2	6,200,000	0	6,200,000	0	0
Salina 1	3,600,000	3,600,000	0	3,099,503	3,232,191
Salina 2	5,000,000	5,000,000	0	4,829,251	4,885,897
Saline Co. RWD #4	33,803	33,803	0	0	0

3. LOANS (continued)

Project	2004 Total Loan Commitment	2004 Cumulative Amount Loaned	2004 Undisbursed Loan Commitment	2004 Outstanding Loan Balance	2003 Outstanding Loan Balance
Severy	\$ 143,624	\$ 143,624	\$ 0	\$ 127,413	\$ 132,421
Sharon Springs	642,481	499,973	142,508	486,116	445,943
Shawnee Co. RWD #1C	3,000,000	2,635,418	364,582	2,389,871	1,661,735
Shawnee Co. RWD #3	915,770	915,770	0	786,543	820,789
Spivey	78,000	78,000	0	54,727	59,349
Spring Hill	2,406,625	913,568	1,493,057	913,568	0
St. George	200,000	0	200,000	0	0
Sterling	663,203	488,614	174,589	459,454	488,614
Stockton	2,800,000	2,800,000	0	2,512,519	2,618,311
Strong City	346,700	141,681	205,019	123,628	136,867
Sylvan Grove	160,902	160,902	0	134,828	141,015
Ulysses	194,707	194,707	0	181,195	190,297
Valley Center	3,200,000	2,934,673	265,327	2,254,351	2,385,161
Wichita	7,220,000	7,220,000	0	6,606,965	6,846,255
Winfield 1	2,330,986	2,330,986	0	2,214,525	2,292,750
Winfield 2	5,640,000	1,977,889	3,662,111	1,977,889	0
Woodson Co. RWD #1	500,000	0	500,000	0	0
Totals	\$258,995,533	\$161,670,444	\$97,325,089	\$145,791,069	\$118,267,526

Each of the above municipalities has established a dedicated source of revenue for repayment of the loans. The dedicated sources of revenue are either an obligation of system revenues and ad valorem property taxes levied or a secured lien on the system revenues which requires a debt service coverage of 125% with a 10% reserve account or a debt service coverage of 140%.

4. LOAN RESERVE ACCOUNTS

Loan reserve accounts for the twenty-seven Rural Water Districts total \$3,346,407 and \$3,155,305 as of June 30, 2004 and 2003, respectively, which includes earnings of \$15,375. The balances are on deposit with the State Treasurer.

5. REVENUE BONDS PAYABLE

Revenue bonds payable consisted of the following at June 30:

	<u>2004</u>	<u>2003</u>
1997 Series 1 Revenue Bonds (State Match Bonds)	\$ 2,535,000	\$ 2,640,000
1997 Series 2 Revenue Bonds (Leveraged Bonds)	36,775,000	38,295,000
1998 Series 1 Revenue Bonds (State Match Bonds)	1,860,000	1,935,000
1998 Series 2 Revenue Bonds (Leveraged Bonds)	33,380,000	34,645,000
2000 Series 1 Revenue Bonds (State Match Bonds)	6,425,000	6,640,000
2000 Series 2 Revenue Bonds (Leveraged Bonds)	44,750,000	46,125,000
2002 Series 1 Revenue Bonds (State Match Bonds)	4,100,000	4,100,000
2002 Series 2 Revenue Bonds (Leveraged Bonds)	<u>47,705,000</u>	<u>47,705,000</u>
 Total bonds payable	 177,530,000	 182,085,000
Unamortized net original issue premium	581,256	631,902
Current maturities	<u>(6,370,000)</u>	<u>(4,555,000)</u>
Long Term Revenue Bonds payable, net	<u>\$ 171,741,256</u>	<u>\$178,161,902</u>

Long-term liability activity for the year end June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds Payable	\$182,085,000	\$0	\$(4,555,000)	\$177,530,000	\$6,370,000

The 1997 Series 1 Revenue Bonds (State Match Bonds), in the original amount of \$2,930,000, consist of serial bonds and a term bond totaling \$1,715,000 and \$820,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$110,000 to \$185,000 with final payment due April 1, 2016, and bear interest at rates ranging from 4.40% to 5.00% payable semi-annually. The term bond bears interest at 5.00% payable semi-annually, and is due April 1, 2020. Certain issues of the bonds may be redeemed prior to maturity in accordance with related bond indentures. The 1997 Series 1 Revenue Bonds are limited obligations of KDFA payable solely from the interest portion of loan payments, investment earnings, and monies in the State Match Loan Account.

The 1997 Series 2 Revenue Bonds (Leveraged Bonds), in the original amount of \$42,490,000, consist of serial bonds and a term bond totaling \$27,555,000 and \$9,220,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$1,585,000 to \$2,785,000 with the final payment due on April 1, 2017, and bear interest at rates ranging from 4.35% to 5.00%, payable semi-annually. The term bond bears interest at 5.00% payable semi-annually, and is due on April 1, 2020. The 1997 Series 2 Revenue Bonds are limited obligations of KDFA payable solely from loan repayments including principal repayments on all loans and interest not needed to repay the Series 1 Revenue Bonds, and monies in the leveraged loan and bond reserve accounts.

5. REVENUE BONDS PAYABLE (continued)

The 1998 Series 1 Revenue Bonds (State Match Bonds), in the original amount of \$2,075,000, consist of serial bonds and two term bonds totaling \$810,000 and \$1,050,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$75,000 to \$105,000 with the final payment due April 1, 2013, and bear interest at rates ranging from 4.20% to 4.75%, payable semi-annually. The term bonds in the amounts \$610,000 and \$440,000 bear interest at 5.00% payable semi-annually, and are due April 1, 2018 and April 1, 2021, respectively. Certain issues of the bonds may be redeemed prior to maturity in accordance with related bond indentures. The 1998 Series 1 Revenue Bonds are limited obligations of KDFA payable solely from the interest portion of loan payments, investment earnings, and monies in the State Match Loan Account.

The 1998 Series 2 Revenue Bonds (Leveraged Bonds), in the original amount of \$37,615,000, consist of serial bonds and a term bond totaling \$26,405,000 and \$6,975,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$1,325,000 to \$2,600,000 with the final payment due April 1, 2018, and bear interest at rates ranging from 4.10% to 5.25%, payable semi-annually. The term bond bears interest at 5.00%, payable semi-annually, and is due on April 1, 2021. The 1998 Series 2 Revenue Bonds are limited obligations of KDFA payable solely from loan repayments including principal repayments on all loans and interest not needed to repay the Series 1 Revenue Bonds, and monies in the leveraged loan and bond reserve accounts.

The 2000 Series 1 Revenue Bonds (State Match Bonds), in the original amount of \$6,640,000, consist of serial bonds and a term bond totaling \$3,180,000 and \$3,245,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$225,000 to \$365,000 with final payment due April 1, 2015, and bear interest at rates ranging from 4.80% to 5.40% payable semi-annually. The term bond bears interest at 5.625% payable semi-annually, and is due April 1, 2022. Certain issues of the bonds may be redeemed prior to maturity in accordance with related bond indentures. The 2000 Series 1 Revenue Bonds are limited obligations of KDFA payable solely from the interest portion of loan payments, investment earnings, and monies in the State Match Loan Account.

The 2000 Series 2 Revenue Bonds (Leveraged Bonds), in the original amount of \$46,860,000, consist of serial bonds and two term bonds totaling \$31,890,000 and \$12,860,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$1,445,000 to \$3,020,000 with the final payment due on April 1, 2019, and bear interest at rates ranging from 5.00% to 5.75%, payable semi-annually. The term bond in the amount of \$6,560,000 bears interest at 5.50% payable semi-annually, and is due April 1, 2021. The \$6,300,000 term bond bears interest at 5.625% payable semi-annually, and is due April 1, 2023. The 2000 Series 2 Revenue Bonds are limited obligations of KDFA payable solely from loan repayments including principal repayments on all loans and interest not needed to repay the Series 1 Revenue Bonds, and monies in the leveraged loan and bond reserve accounts.

5. REVENUE BONDS PAYABLE (continued)

The 2002 Series 1 Revenue Bonds (State Match Bonds), in the original amount of \$4,100,000, consist of serial bonds and a term bond totaling \$3,225,000 and \$875,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$135,000 to \$265,000 with final payment due April 1, 2021, and bear interest at rates ranging from 4.00% to 5.00% payable semi-annually. The term bond bears interest at 5.00% payable semi-annually, and is due April 1, 2024. The 2002 Series 1 Revenue Bonds are limited obligations of KDFA payable solely from the interest portion of loan payments, investment earnings, and monies in the State Match Loan Account.

The 2002 Series 2 Revenue Bonds (Leveraged Bonds), in the original amount of \$47,705,000, consist of serial bonds and a term bond totaling \$37,085,000 and \$10,620,000, respectively, as of June 30, 2004. The serial bonds are due in annual principal payments ranging from \$1,470,000 to \$3,205,000 with the final payment due on April 1, 2021, and bear interest at rates ranging from 4.00% to 5.50%, payable semi-annually. The term bond in the amount of \$10,620,000 bears interest at 5.00% payable semi-annually, and is due April 1, 2024. The 2002 Series 2 Revenue Bonds are limited obligations of KDFA payable solely from loan repayments including principal repayments on all loans and interest not needed to repay the Series 1 Revenue Bonds, and monies in the leveraged loan and bond reserve accounts.

The Master bond indenture provides for the establishment of a debt service reserve fund, which is maintained and administered by KDFA. At June 30, 2004, the Fund was not in default of any provisions of the Master or Supplemental bond indentures.

Aggregate revenue bond debt service requirements are as follows:

<u>Year Ending June 30</u>	<u>Principal Amount Due</u>	<u>Interest Amount Due</u>	<u>Total</u>
2005	\$ 6,370,000	\$ 8,994,595	\$ 15,364,595
2006	6,665,000	8,712,470	15,377,470
2007	6,970,000	8,415,395	15,385,395
2008	7,295,000	8,101,937	15,396,937
2009	7,630,000	7,774,973	15,404,973
2010 - 2014	44,340,000	32,974,188	77,314,188
2015 - 2019	57,625,000	20,064,414	77,689,414
2020 - 2024	40,635,000	5,272,194	45,907,194
	<u>\$ 177,530,000</u>	<u>\$ 100,310,166</u>	<u>\$ 277,840,166</u>

Certain of the above bonds may be redeemed prior to maturity in accordance with related bond indentures.

The debt service payment in FY 2004 was \$4,555,000 for principal with a cumulative principal payment totaling \$12,885,000 and \$9,200,597 for interest with a cumulative interest payment totaling \$39,336,729.

6. ARBITRAGE REBATE

In accordance with Internal Revenue Code Section 148(f) relating to arbitrage restrictions on tax-exempt bonds, an arbitrage rebate payable in the amount of \$1,734,084 has been recorded. This liability is cumulative for the Series 1997, 1998, and 2000 bonds. There is currently no rebate liability for the 2002 bonds. The portion of this pending rebate of excess investment earnings that is attributable to the Series 1997 bonds will be due in March, 2008 which is 60 days after the second five year anniversary of the bonds. The portion attributable to the Series 1998 bonds will be due in January, 2009 which is 60 days after the first five-year anniversary of the bonds. The portion attributable to the Series 2000 bonds will be due in August, 2005, which is 60 days after the first five year anniversary of the bonds.

7. FEDERAL CAPITALIZATION GRANTS

Of the 1997 federal capitalization grant award of \$14,095,000, four percent (\$563,800) was allocated for administration as evidenced by the budget page of the grant award. Therefore, as administration funds are earned, fund equity is reduced and program administration grants revenue is recognized. Two percent (\$281,900) was allocated for technical assistance, 10 percent (\$1,409,500) was allocated for source water assessment, and \$485,000 was allocated for public water supply supervision grant. An amount of \$11,354,800 was reserved for the 1997 leveraged bond reserve fund.

On February 4, 2002, an amendment was processed that moved \$255,000 from source water assessment to public water supply supervision grant, and on March 24, 2004, an amendment moved \$422,071 from public water supply supervision grant to the leveraged bond reserve fund. The amended amount reserved \$1,154,500 for source water assessment, \$317,929 for public water supply supervision grant, and \$11,776,871 for the 1997 leveraged bond reserve fund.

As of June 30, 2004, \$15,674 of the 1997 capitalization grant had not been drawn down. The entire 1997 capitalization grant has met the State matching requirements and is available based on the grant payment schedule.

Of the 1998 federal capitalization grant award of \$10,008,100, four percent (\$400,324) was spent for administration as evidenced by the budget page of the grant award. Therefore, as administration funds were earned, fund equity was reduced and program administration grant revenue was recognized. Two percent (\$200,162) was reserved for technical assistance, and \$485,000 was reserved for public water supply supervision grant. An amount of \$8,922,614 was reserved for the 1998 leveraged bond reserve fund.

On March 25, 2004, an amendment was processed that moved \$485,000 from public water supply supervision grant to the leveraged bond reserve fund which increased the 1998 leveraged bond reserve amount to \$9,407,614 and left a zero balance for public water supply supervision grant.

As of June 30, 2004, the 1998 capitalization grant has been drawn down.

7. FEDERAL CAPITALIZATION GRANTS (continued)

Of the 1999 federal capitalization grant award of \$10,489,400, four percent (\$419,576) was spent for administration as evidenced by the budget page of the grant award. Therefore, as administration funds were earned, fund equity was reduced and program administration grants revenue was recognized. Two percent (\$209,788) was reserved for technical assistance, and \$485,000 was reserved for public water supply supervision grant. An amount of \$9,375,036 was reserved for the 1999 leveraged bond reserve fund.

An amendment was processed on March 25, 2004, that moved \$485,000 from public water supply supervision grant to the leveraged bond reserve fund which increased the 1999 leveraged bond reserve amount to \$9,860,036 and left a zero balance for public water supply supervision grant.

As of June 30, 2004, the 1999 capitalization grant has been drawn down.

Of the 2000 federal capitalization grant award of \$10,901,500, four percent (\$436,060) was allocated for administration as evidenced by the budget page of the grant award. Therefore, as administration funds are earned, fund equity is reduced and program administration grant revenue is recognized. Two percent (\$218,030) was reserved for technical assistance, and \$485,000 was reserved for public water supply supervision grant. An amount of \$9,762,410 was reserved for the 2000 leveraged bond reserve fund.

The 2000 grant was amended on March 25, 2004, transferring \$485,000 from public water supply supervision grant and \$145,717 from technical assistance to the leveraged bond reserve fund. The amended amount reserved \$10,393,127 for the 2000 leveraged bond reserve fund, \$72,313 for technical assistance, and left a zero balance for public water supply supervision grant.

As of June 30, 2004, \$63,810 of the 2000 capitalization grant had not been drawn down. The entire 2000 capitalization grant has met the State matching requirements and is available based on the grant payment schedule.

On July 2, 2001, an amendment reduced the 2001 capitalization grant of \$10,946,664 to \$10,946,600 and corrected the amounts for administration and technical assistance to equal four and two percent, respectively, as evidenced by the budget page of the grant award. The amendment reduced the amount for administration from \$438,832 to \$437,864. Therefore, as administration funds are earned, fund equity is reduced and program administration grant revenue is recognized. Technical assistance decreased from \$219,416 to \$218,932, and the public water supply supervision grant increased from \$460,864 to \$462,252. An amount of \$9,827,552 is reserved for the 2001 leveraged bond reserve fund.

The 2001 grant was amended on March 25, 2004, transferring \$360,000 from public water supply supervision grant/Capacity Development 1452G to Capacity Development 1452K (1)b. The amount reserved for Capacity Development 1452G is \$102,252, and \$360,000 is reserved for 1452K (1)b.

7. FEDERAL CAPITALIZATION GRANTS (continued)

As of June 30, 2004, \$890,048 of the 2001 capitalization grant had not been drawn down. The entire 2001 capitalization grant has met the State matching requirements and is available based on the grant payment schedule.

Of the 2002 federal capitalization grant award of \$9,234,700, four percent (\$369,388) will be spent for administration as evidenced by the budget page of the grant award. Therefore, as administration funds are earned, fund equity is reduced and program administration grant revenue is recognized. Two percent (\$184,694) has been reserved for technical assistance, and \$485,000 has been reserved for public water supply supervision grant. An amount of \$8,195,618 is reserved for the leveraged bond reserve fund.

The 2002 grant was amended on April 14, 2004, transferring \$255,000 from public water supply supervision grant/Capacity Development 1452G to Capacity Development 1452K (1)b. The amount reserved for Capacity Development 1452G is \$230,000, and \$255,000 is reserved for 1452K (1)b.

As of June 30, 2004, \$1,039,082 of the 2002 capitalization grant had not been drawn down. The entire 2002 capitalization grant has met the State matching requirements and is available based on the grant payment schedule.

Of the 2003 federal capitalization grant award of \$9,179,200, four percent (\$367,168) will be spent for administration as evidenced by the budget page of the grant award. Therefore, as administration funds are earned, fund equity is reduced and program administration grant revenue is recognized. An amount of \$8,812,032 is reserved for the leveraged bond reserve fund.

As of June 30, 2004, \$1,499,438 of the 2003 capitalization grant had not been drawn down. The entire 2003 capitalization grant has met the State matching requirements and is available based on the grant payment schedule.

7. FEDERAL CAPITALIZATION GRANTS (continued)

Federal capitalization grants awarded by the EPA through June 30, 2004 are as follows:

Federal Fiscal Year	Reserve	Program Administration	Other Set-Asides	Total Grant
1997 Grant Award	\$ 11,354,800	\$ 563,800	\$ 2,176,400	\$ 14,095,000
1998 Grant Award	8,922,614	400,324	685,162	10,008,100
1999 Grant Award	9,375,036	419,576	694,788	10,489,400
2000 Grant Award	9,762,410	436,060	703,030	10,901,500
2001 Grant Award	9,827,552	437,864	681,184	10,946,600
2002 Grant Award	8,195,618	369,388	669,694	9,234,700
	<u>57,438,030</u>	<u>2,627,012</u>	<u>5,610,258</u>	<u>65,675,300</u>
Less Cumulative Amounts Drawn Down	<u>(49,242,412)</u>	<u>(1,362,600)</u>	<u>(1,833,868)</u>	<u>(52,438,880)</u>
	8,195,618	1,264,412	3,776,390	13,236,420
Amendments:				
1997 Grant	422,071		(422,071)	0
1998 Grant	485,000		(485,000)	0
1999 Grant	485,000		(485,000)	0
2000 Grant	630,717		(630,717)	0
2003 Grant Award	8,812,032	367,168		9,179,200
Less Amounts Drawn Down in Fiscal Year 2004	<u>(17,898,168)</u>	<u>(393,350)</u>	<u>(616,050)</u>	<u>(18,907,568)</u>
Balance of Grants	<u>\$ 1,132,270</u>	<u>\$ 1,238,230</u>	<u>\$ 1,137,552</u>	<u>\$ 3,508,052</u>

As of June 30, 2004 and 2003, \$3,508,052 and \$13,236,420, respectively, of the capitalization grants had not been drawn down.

8. STATE CAPITAL CONTRIBUTIONS

On July 30, 1998, the Fund received a deposit of \$1,000,000 per K.S.A. 74-8203, as amended and supplemented. On July 30, 1999, the Fund received a deposit of \$4,000,000, which represents the balance of the anticipated State contribution. The State contribution is to be used to further leverage the program through the issuance of additional revenue bonds.

9. SUBSEQUENT EVENTS

In late September, 2004, the Fund issued Series 2004 Revenue bonds in the amount of \$176,010,000. The proceeds from the bonds provided \$100,000,000 of leveraged loan and state match funds for the program and \$86,507,909 to partially refund the 1997, 1998, 2000, and 2002 bonds.



ALLEN, GIBBS & HOULIK, L.C.

Certified Public Accountants & Consultants

Epic Center • 301 N. Main, Suite 1700
Wichita, Kansas 67202-4868
(316) 267-7231 • FAX (316) 267-0339
www.aghlc.com



Berberich Trahan & Co., P.A.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 1 800 530 5526
Facsimile 785 233 1768
E-mail cpa@cpakansas.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Roderick L. Bremby
Secretary of Kansas Department of Health and Environment and
the Board of Directors of the Kansas Development Finance Authority:

We have audited the financial statements of the Kansas Public Water Supply Loan Fund (the Fund), an enterprise fund of the State of Kansas, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Kansas Department of Health and Environment, the Board of Directors of the Kansas Development Finance Authority, management of the Fund and the Environmental Protection Agency and is not intended to be and should not be used by anyone other than those specified parties.

Allen, Gibbs & Houlik, L.C.

October 1, 2004

Berberich Trahan & Co., P.A.



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